KBC Group Quarterly Report 2Q2019

KBC

KBC Group

Report for 2Q2019

Management certification

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

Forward-looking statements

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

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Second-quarter result of 745 million euros

KBC Group - overview (consolidated, IFRS)	2Q2019	1Q2019	2Q2018	1H2019	1H2018
Net result (in millions of EUR)	745	430	692	1 175	1 248
Basic earnings per share (in EUR)	1.76	0.98	1.61	2.75	2.91
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*388*	*176*	*437*	*564*	*680*
Czech Republic	*248*	*177*	*145*	*425*	*316*
International Markets	*104*	*70*	*163*	*175*	*299*
Group Centre	*4*	*7*	*-53*	*11*	*-48*
Parent shareholders' equity per share (in EUR, end of period)	42.8	43.1	39.9	42.8	39.9

We generated a net profit of 745 million euros in the second quarter of 2019. This is a good result, which – compared to the previous quarter – benefited from increased net fee and commission income, higher non-life insurance results, the seasonal uptick in dividends received, lower costs (due to most of the bank taxes being recorded in the first quarter of the year) and lower loan loss impairment charges. On the one hand, the quarter benefited from a number of positive one-off items, the bulk of which concerned the 82-million-euro gain related to the acquisition of the remaining 45% stake in the Czech building savings bank, ČMSS (see further). On the other hand, trading and fair value income was heavily impacted by several factors, including lower long-term interest rates. On a comparable scope basis, our loans to customers increased by 4% year-on-year, and deposits including debt certificates were roughly stable (excluding debt certificates, deposits were up 3%). Sales of our non-life and life insurance products went up year-on-year, each by 8%. Our solvency position, which does not include the profit for the first half of 2019, remained strong too, with a common equity ratio of 15.6%. If we had included the profit for the first half of the year, taking into account the 59% dividend payout ratio of last year, our common equity ratio would have amounted to 15.9%. Lastly, in line with our dividend policy, we decided to pay an interim dividend of 1 euro per share on 15 November 2019 as an advance payment on the total dividend for 2019.

From this solid position, we are at the same time also preparing for the future. With more and more customers opting for digital channels, we are gradually aligning our omni-channel distribution network with this changing customer behaviour. As already announced, we are in the process of converting a number of smaller branches into unstaffed ones and closing some of the existing unstaffed branches in Flanders. At the same time, we continue to invest in our full-service branches, in KBC Live and in our digital channels. We also optimised our group-wide governance model at management level and we are in the process of further improving operational efficiency throughout the entire organisation in order to take customer service to an even higher level. This adaptation is essential in response to the new environment in which organisations are expected to be more agile, take decisions more quickly and thus continue to meet the expectations of customers and society.

In the quarter under review, we finalised two deals that we had announced in the previous quarter. We completed the sale of our Irish subsidiary's legacy portfolio of performing corporate loans worth roughly 260 million euros, which means that KBC Bank Ireland is now in a position to fully concentrate on its core retail and micro SME customers. That deal had a negligible impact on our profit and capital ratios. We also closed the acquisition of the remaining 45% stake in the Czech building savings bank ČMSS, for 240 million euros. That had an impact of -0.3 percentage points on our common equity ratio. Due to the revaluation of our existing 55% stake in ČMSS, we were able to book a one-off gain of 82 million euros in the second quarter. Our Czech group company ČSOB now owns 100% of ČMSS and is thus consolidating its position as the largest provider of financial solutions for housing purposes in the Czech Republic.*

I'd like to wrap up by repeating that we are truly grateful for the trust that our customers place in our company. The fact that we were named 'Best Bank in Western Europe' by Euromoney a few weeks ago is a clear illustration that we are the reference in the financial sector. Rest assured that we will remain fully committed and focused in our efforts to continue to be the reference in customer-centric bank-insurance in all our core countries.

Johan Thijs
Chief Executive Officer

* As of June 2019, the **results** of ČMSS have been fully consolidated in each P/L line (before then,– hence also in April and May 2019 -, the results of ČMSS had been recorded at 55% under 'Share in results of associated companies & joint-ventures'). The one-off gain of 82 million euros, which related to the revaluation of the already existing 55% stake, was recorded under 'Net other income'. ČMSS has also been fully consolidated in the **balance sheet** since June 2019 (before then, it had been recorded according to the equity method under 'Investments in associated companies and joint ventures').

Financial highlights in the second quarter of 2019

- Commercial bank-insurance franchises in our core markets performed well.
- Lending volumes were up 1% quarter-on-quarter and 4% year-on-year, with growth recorded in all business units. Deposits including debt certificates were down 2% quarter-on-quarter and stable year-on-year. The figures have been calculated on a 'comparable scope' basis.
- Net interest income increased slightly compared to the previous quarter and was up 1% year-on-year. In both cases, it benefited from a number of factors, including loan volume growth, short-term interest rate increases in the Czech Republic, the full consolidation of ČMSS since June and lower funding costs (year-on-year). At the same time, it continued to suffer from pressure on margins in the outstanding loan portfolio and lower reinvestment yields in our euro-area core countries.
- Sales of our non-life insurance products were up 8% year-on-year. Technical income from these non-life insurance activities (premiums less charges, plus the ceded reinsurance result) went up 14% on its level of the previous quarter thanks in part to higher earned premiums. It was down 7% year-on-year as higher premiums were offset by higher claims and charges. The combined ratio for the first half of the year amounted to 92%, compared to 88% for full-year 2018. Sales of our life insurance products were up 8% year-on-year and down 11% on the relatively high level recorded in the previous quarter.
- Net fee and commission income was up 6% quarter-on-quarter, due *inter alia* to higher asset management-related fees, higher fees for banking services and the impact of the full consolidation of ČMSS. Net fee and commission income was only slightly down on the year-earlier quarter.
- All other remaining income items combined were in line with the figure recorded in the previous quarter and up 43% year-on-year. The quarter under review included weak trading and fair value income, as well as a high level of net other income, which benefited from the positive 82-million-euro one-off effect of the revaluation of the 55% participation in ČMSS (related to the acquisition of the remaining 45% stake in that company). Additionally, dividend income benefited from its seasonal uptick, as the bulk of dividends are traditionally received in the second quarter of the year.
- Excluding bank taxes (the bulk of which was recorded in the first quarter of the year), costs rose 5% quarter-on-quarter, roughly half of which was due to one-off items and the ČMSS impact. Year-on-year, costs were up 2%. When non-operating items are excluded and bank taxes evenly spread throughout the year, the cost/income ratio amounted to 59% in the first half of 2019, compared to 57% for full-year 2018.
- The quarter under review included a 36-million-euro loan loss impairment charge, compared to a 67-million-euro charge in the previous quarter and a net release of impairments of 21 million euros in the year-earlier quarter. The annualised cost of credit amounted to a benign 0.12% in the first half of 2019, compared to -0.04% for full-year 2018 (a negative figure indicates a positive impact on the results).
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.6%, or 15.9% when including the net result for the half of the year, taking into account the payout ratio of 59% (dividend + AT1 coupon) for full-year 2018. Our leverage ratio amounted to 6.1% at the end of June 2019.

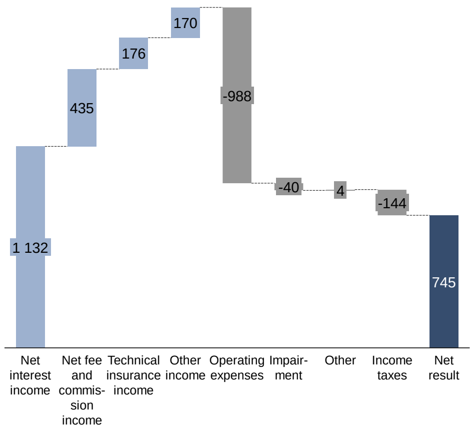
The cornerstones of our strategy

Our strategy rests on four principles:

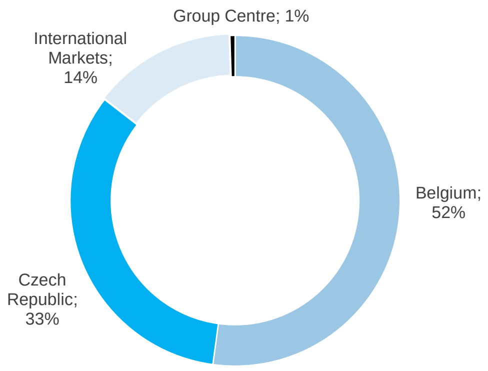
- We place our customers at the centre of everything we do.
- We look to offer our customers a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

Breakdown of the 2Q2019 result

(in millions of EUR)



Contribution of the business units to the group result (2Q2019)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	2Q2019	1Q2019	4Q2018	3Q2018	2Q2018	1H2019	1H2018
Net interest income	1 132	1 129	1 166	1 136	1 117	2 261	2 242
Non-life insurance (before reinsurance)	174	161	198	197	202	335	364
Earned premiums	*425*	*415*	*409*	*403*	*392*	*840*	*770*
Technical charges	*-251*	*-254*	*-211*	*-205*	*-190*	*-505*	*-406*
Life insurance (before reinsurance)	1	-3	-3	-9	1	-2	-5
Earned premiums	*317*	*351*	*416*	*293*	*315*	*668*	*651*
Technical charges	*-316*	*-354*	*-418*	*-302*	*-314*	*-669*	*-656*
Ceded reinsurance result	1	-7	-12	-6	-14	-5	-23
Dividend income	39	12	15	12	34	51	55
Net result from financial instruments at fair value through P&L[1]	-2	99	2	79	54	97	150
Net realised result from debt instruments at fair value through other comprehensive income	0	2	0	0	8	2	9
Net fee and commission income	435	410	407	424	438	845	889
Net other income	133	59	76	56	23	192	94
Total income	1 913	1 862	1 848	1 888	1 863	3 775	3 775
Operating expenses	-988	-1 296	-996	-981	-966	-2 283	-2 257
Impairment	-40	-69	-43	2	1	-109	58
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-36*	*-67*	*-30*	*8*	*21*	*-103*	*84*
Share in results of associated companies & joint ventures	4	5	4	2	3	8	10
Result before tax	889	503	814	911	901	1 392	1 585
Income tax expense	-144	-73	-192	-211	-210	-217	-337
Result after tax	745	430	621	701	692	1 175	1 248
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**745**	**430**	**621**	**701**	**692**	**1 175**	**1 248**
Basic earnings per share (EUR)	1.76	0.98	1.44	1.63	1.61	2.75	2.91
Diluted earnings per share (EUR)	1.76	0.98	1.44	1.63	1.61	2.74	2.91

Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-06-2019	31-03-2019	31-12-2018	30-09-2018	30-06-2018
Total assets	289 548	292 332	283 808	304 740	301 934
Loans and advances to customers, excl. reverse repos	154 169	148 517	147 052	146 011	145 346
Securities (equity and debt instruments)	63 746	63 706	62 708	63 030	63 936
Deposits from customers & debt certificates, excl. repos	199 138	197 987	194 291	194 056	192 951
Technical provisions, before reinsurance	18 652	18 589	18 324	18 533	18 595
Liabilities under investment contracts, insurance	13 381	13 334	12 949	13 444	13 428
Parent shareholders' equity	17 799	17 924	17 233	16 878	16 616

Selected ratios KBC group (consolidated)	1H2019	FY2018
Return on equity	14%[3]	16%
Cost/income ratio, banking (when excluding certain non-operating items and evenly spreading the bank tax)	63% (59%)	57.5% (57%)
Combined ratio, non-life insurance	92%	88%
Common equity ratio, Basel III Danish Compromise (fully loaded)	15.6%[4]	16.0%
Common equity ratio, FICOD (fully loaded)	14.5%	14.9%
Leverage ratio, Basel III (fully loaded)	6.1%	6.1%
Credit cost ratio[5]	0.12%	-0.04%
Impaired loans ratio	3.7%	4.3%
for loans more than 90 days past due	2.1%	2.5%
Net stable funding ratio (NSFR)	133%	136%
Liquidity coverage ratio (LCR)	140%	139%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 15.4% when evenly spreading the bank tax throughout the year.
4 When including the net result of the first half of the year, taking into account the full-year 2018 payout ratio of 59% (div. + AT1 coupon), the ratio is 15.9%.
5 A negative figure indicates a net impairment release (with a positive impact on the results).

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

Analysis of the quarter (2Q2019)

Total income 1 913 million euros	Total income increased by 3% quarter-on-quarter. Overall, the increase in net fee and commission income, non-life insurance technical income, dividend income (seasonal) and net other income (thanks to a one-off item) as well as the full consolidation of ČMSS as of June more than offset the decrease in trading and fair value income.

Net interest income amounted to 1 132 million euros in the quarter under review, slightly up on the figure recorded in the previous quarter and up 1% year-on-year. Net interest income benefited from the positive effect of loan volume growth, increased short-term interest rates in the Czech Republic, lower customer funding costs (year-on-year), a higher number of days compared to the previous quarter, and the full consolidation of ČMSS as of June ('ČMSS impact' – accounting for 7 million euros). These items were for a large part offset by the continued pressure on loan portfolio margins in most core countries (notwithstanding some new business margin recovery), the negative effect of lower reinvestment yields in our core countries in the euro area and the lower netted positive impact of ALM FX swaps, among other factors.
As already mentioned, interest income continued to be supported by loan volume growth: the total volume of customer lending rose by 4% quarter-on-quarter and by 6% year-on-year. On a comparable scope basis (i.e. disregarding effects from scope changes such as the sale of parts of the Irish loan book in the past and the full consolidation of ČMSS as of June 2018), customer lending rose by 1% quarter-on-quarter and 4% year-on-year, with growth in all business units. Customer deposits including debt certificates were up 1% quarter-on-quarter and 3% year-on-year. On a comparable scope basis, this item was down 2% quarter-on-quarter and roughly stable year-on-year (caused by a decrease in debt certificates in both cases). The net interest margin came to 1.94% for the quarter under review, down 4 and 6 basis points, respectively, on the level recorded in the previous and year-earlier quarters.

Technical income from our non-life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) contributed 176 million euros to total income. It was up to a significant extent (+14%) on the previous quarter thanks to higher earned premiums in almost all countries, in combination with lower technical charges (lower storm-related and other claims, partly offset by the negative impact of a re-assessment of claims provisions) and a higher ceded reinsurance result. Technical non-life insurance income was down 7% on the year-earlier quarter, as the increase in earned premium income and ceded reinsurance result was offset by higher technical charges, partly due to the aforementioned negative impact of a re-assessment of claims provisions. Overall, the combined ratio for the first six months of 2019 came to 92%, compared to 88% for full-year 2018.

Technical income from our life insurance activities stood at 0 million euros, compared to -3 million euros in the previous quarter and 0 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (459 million euros) were down 11% on the relatively high level recorded in the previous quarter, due to lower sales of both guaranteed-interest and unit-linked life insurance products in Belgium, though this was partly offset by slightly higher sales of unit-linked products in the Czech Republic. Compared to the year-earlier quarter, sales of life insurance products were up 8%, driven by higher sales of unit-linked products in Belgium and to a lesser extent in the Czech Republic. Overall, the share of guaranteed-interest products in our total life insurance sales stood at 57% in the quarter under review, with unit-linked products accounting for the remaining 43%.

At 435 million euros, net fee and commission income was up 6% on its level in the previous quarter and only slightly down on the figure recorded in the year-earlier quarter. The quarter-on-quarter increase came about mainly because of increased fees related to asset management services (higher management fees more than offset the lower entry fees), increased banking services-related fees, lower paid distribution fees for insurance and the ČMSS impact (2 million euros). Compared to a year earlier, fees related to asset management services were down, but this was largely offset by higher banking services-related fees. At the end of June 2019, our total assets under management stood at 210 billion euros, roughly stable quarter-on-quarter as improving asset prices (+2%) fully offset net outflows (-2%). Year-on-year, total assets under management were down 2% (+2% price improvement, -4% net outflow).

All other remaining income items amounted to an aggregate 170 million euros, as opposed to 172 million euros in the previous quarter and 119 million euros in the year-earlier quarter.
The figure for the quarter under review included seasonally high dividend income of 39 million euros, since the second quarter of the year traditionally includes the bulk of received dividends. It also comprised 133 million euros in net other income, significantly higher than in both reference quarters as it included a 82-million-euro one-off gain related to the revaluation of the already existing stake in ČMSS (triggered by the acquisition of the remaining participation in that company), whereas the year-earlier quarter figure had been negatively impacted to the tune of 38 million euros by the settlement of a legacy legal case. Furthermore, the other remaining income items comprised a negative 2-million-euro net result from financial instruments at fair value (trading and fair value income), significantly below the positive 99 million euros and 54 million euros registered in the previous and year-earlier quarters, respectively. This was due to a combination of weak dealing room income, a decrease in the value of derivatives used for asset/liability management purposes and lower results on equity instruments of the insurance company.

Operating expenses

988 million euros

The comparison of expenses is distorted by the upfront recognition in the first quarter of the year of the bulk of bank taxes for the full year. Excluding bank taxes, operating expenses in the second quarter were up 5% compared to the previous quarter, roughly half of which is accounted for by one-off items and the ČMSS impact. When certain non-operating items are excluded and bank taxes evenly spread throughout the year, the cost/income ratio for the year-to-date period amounted to 59%.

Operating expenses in the second quarter of 2019 stood at 988 million euros. The quarter-on-quarter comparison is distorted by the upfront recognition in the first quarter of most of the bank taxes for the full year (30 million euros in the second quarter of 2019, 382 million euros in the first quarter of 2019, 24 million euros in the second quarter of 2018). Excluding bank taxes, operating expenses increased by 5% quarter-on-quarter and 2% year-on-year. The quarter-on-quarter increase was caused by several factors including one-off items (12 million euros), wage drift, higher expense for depreciation, the ČMSS impact (5 million euros) and by the fact that the previous quarter had benefited from seasonally low professional fees, marketing and facilities expenses and a positive one-off item of 8 million euros. The year-on-year increase was for the larger part related to one-off items in the quarter under review and the ČMSS impact.

When certain non-operating items are excluded and the bank tax evenly spread throughout the year, the cost/income ratio of our banking activities came to 59% for the year-to-date period, compared to 57% for full-year 2018. Including the non-operating items and the bank taxes actually recorded, the cost/income ratio of our banking activities stood at 63%.

Loan loss impairment

36-million-euro net increase

Net loan loss impairment charge of 36 million euros, down on the 67 million euros recorded in the previous quarter. Benign credit cost ratio of 0.12% for the year-to-date period.

In the second quarter of 2019, we recorded a 36-million-euro net impairment charge, compared with a net charge of 67 million euros in the previous quarter and a net release of 21 million euros in the second quarter of 2018. Broken down by country, loan loss impairment charges in the second quarter of 2019 came to 30 million euros in Belgium (quarter-on-quarter decrease, as the previous quarter had been impacted by a few corporate loan cases), 4 million euros in the Czech Republic, 8 million euros in Slovakia, 1 million euros in Bulgaria and virtually zero in Ireland (where 12 million euros of net impairment releases were offset by charges related to the sale of part of the legacy loan portfolio), while there were small net impairment releases of 3 million euros in Hungary and 5 million euros in the Group Centre. For the entire group, the credit cost ratio amounted to 0.12% for the first half of the year, compared to -0.04% for full-year 2018 (a negative figure indicates a net release and, hence, has a positive effect on the results).
The impaired loans ratio has continued to improve since the start of the year. At the end of June 2019, some 3.7% of our total loan book was classified as impaired (4.3% at year-end 2018). Impaired loans that are more than 90 days past due fell to 2.1% of the loan book, compared with 2.5% at year-end 2018. A large part of the drop in impaired loans is related to the accounting write-off of certain fully provisioned legacy loans in Ireland in the second quarter.

Impairment on assets other than loans stood at 4 million euros, in line with the 1 million euros recorded in the previous quarter and an improvement on the 20 million euros in the second quarter of 2018. The latter had been impacted by the review of residual values of financial car leases under short-term contracts in the Czech Republic and by a legacy property file in Bulgaria.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
388 million euros	248 million euros	104 million euros	4 million euros

Belgium: the net result (388 million euros) was significantly up quarter-on-quarter, as the comparison was distorted by most of the bank taxes for the full year being recorded upfront in the first quarter of 2019 (273 million euros compared to just 4 million euros in the second quarter). Excluding bank taxes, the net result was up 6% quarter-on-quarter. This included somewhat lower net interest income, higher non-life technical income, increased net fee and commission income, seasonally higher dividend income and lower loan loss impairment charges. These positive items were partly offset by lower trading and fair value income and increased expenses (related in part to one-off items), among other things.

Czech Republic: the net result (248 million euros) was up 40% on its level for the previous quarter. Excluding bank taxes, it was up 21%, mainly on account of the one-off revaluation gain of 82 million euros on the already existing 55% participation in ČMSS following the acquisition of the remaining 45% stake, as well as higher net interest income and net fee and commission income.

These positive items were partly offset by the lower trading and fair value result, higher costs and loan loss impairment charges (compared to a net loan loss release in the previous quarter).

International Markets: the 104-million-euro net result breaks down as follows: 11 million euros in Slovakia, 55 million euros in Hungary, 29 million euros in Bulgaria and 9 million euros in Ireland. For the business unit as a whole, the net result was up 48% quarter-on-quarter. Excluding bank taxes, the result was down 6% and included more or less stable total income, flat costs (despite high wage inflation) and increased loan loss impairment. The latter related primarily to Ireland, where loan loss impairments went up from a net release of 12 million euros in the previous quarter to virtually zero in the quarter under review (as 12 million euros of net impairment releases were offset by charges related to the sale of part of the legacy loan portfolio).

Group Centre: the net result (4 million euros) was down by 3 million euros quarter-on-quarter. That was accounted for mainly by the combination of a positive one-off item in the tax line, higher technical non-life insurance results and lower trading and fair value income.

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**1H2019**	**FY2018**	**1H2019**	**FY2018**	**1H2019**	**FY2018**
Cost/income ratio, banking excluding certain non-operating items and spreading the bank tax evenly	58%	58%	46%	46%	68%	65%
Combined ratio, non-life insurance	92%	87%	94%	97%	86%	90%
Credit cost ratio*	0.20%	0.09%	0.04%	0.03%	-0.01%	-0.46%
Impaired loans ratio	2.3%	2.6%	2.5%	2.4%	9.8%	12.2%

* A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.

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

Equity, solvency and liquidity

Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
19.3 billion euros	15.6%	140%	133%

At the end of June 2019, total equity stood at 19.3 billion euros, comprising 17.8 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was down 0.3 billion euros on its level at the end of 2018. This was due to the combined effect of a number of items, including profits for the half-year period (+1.2 billion euros), the call of an additional tier-1 instrument and issuance of a new additional tier-1 instrument (-1.4 billion euros and +0.5 billion euros, respectively), payment of the final dividend for 2018 in May 2019 (-1.0 billion euros) and changes in various revaluation reserves (an aggregate +0.5 billion euros). We have provided details of the changes in the 'Consolidated financial statements' section of the quarterly report (under 'Consolidated statement of changes in equity').

Our common equity ratio at 30 June 2019 amounted to 15.6%, without recognition of the net profit for the first half of 2019. When we include the net profit for that period, taking into account the payout ratio of 59% (dividend + AT1 coupon) full-year 2018, the common equity ratio amounted to 15.9% at the end of June 2019, compared to 16% at the end of 2018. It should be noted that the acquisition of the remaining 45% stake in ČMSS lowered our common equity ratio by approximately 0.3 percentage points in the period under review. Our leverage ratio (Basel III, fully loaded) came to 6.1%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 201% at the end of June 2019. Our liquidity position remained excellent too, as reflected in an LCR ratio of 140% and an NSFR ratio of 133% at the end of June 2019.

Analysis of the year-to-date period (1H2019)

Net result 1 175 million euros	The net result for the first six months of 2019 was down 6% compared to the corresponding period of 2018. Total income was in line with the year-earlier period, with the increase in net interest income and in net other income (viz. one-off gain related to ČMSS in the second quarter) offsetting the decrease in the other income lines. Operating expenses were slightly up (+1%, due largely to higher bank taxes) and loan loss impairment charges amounted to 103 million euros, significantly up on the net impairment release of 84 million euros in the year-earlier period.

Highlights (compared to the first half of 2018):

- Somewhat higher net interest income (up 1% to 2 261 million euros), thanks to *inter alia* lower funding costs, higher commercial lending volumes, the positive impact of short-term interest increases in the Czech Republic and the ČMSS impact, which offset pressure on portfolio margins, the negative effects of lower reinvestment yields in our core euro-area countries and the lower netted positive impact of ALM FX swaps. The volume of deposits and debt certificates was roughly unchanged (growth in deposits offset by decrease in debt certificates), whereas lending volumes increased by 4%, with growth in all business units. These volume figures have been calculated on a comparable scope basis. The net interest margin in the first half of 2019 came to 1.96%, down 5 basis points year-on-year.
- A slight decrease in the contribution to profit made by the technical insurance result (down 2% to 328 million euros). Life insurance sales (975 million euros) were up by 6%, with increased sales of both guaranteed-interest and unit-linked products. Non-life sales were up 8% year-on-year. The non-life insurance technical result was slightly down on the figure for the year-earlier period, as higher premium income and the increase in the ceded reinsurance result were offset by higher technical charges. The year-to-date non-life combined ratio stood at 92%, compared to 88% for full-year 2018.
- Lower net fee and commission income (down 5% to 845 million euros), attributable primarily to lower fees for asset management services (predominantly lower management fees) and somewhat higher paid distribution fees, partly offset by higher banking services-related fees and the ČMSS impact. At the end of June 2019, total assets under management stood at 210 billion euros, down 2% on the level recorded a year earlier (+2% price improvement, -4% net outflow).
- A higher level of all other income items combined (up 11% to 342 million euros) caused mainly by a significantly higher level of net other income (including the ČMSS-related positive one-off gain of 82 million euros in the period under review), which more than offset lower trading and fair value income, among other things.
- Slightly higher operating expenses (up 1% to 2 283 million euros) mainly as a result of increased bank taxes. Other items explaining the year-on-year difference are higher staff costs (due to wage drift and one-off items), higher expense for ICT, professional fees and depreciation, and the ČMSS impact. It should be noted that the reference period had included an 11-million euros negative one-off item related to facilities expenses. As a result, the year-to-date cost/income ratio came to 63%, or an adjusted 59% when bank taxes are evenly spread throughout the year and certain non-operating items are excluded (compared to 57.5% and 57%, respectively, for full-year 2018).
- A significant net increase in loan loss impairment charges (net addition of 103 million euros in the first half of 2019, compared to a net release of 84 million euros in the year-earlier period). This was due largely to Ireland (12-million-euro net release of impairment in the period under review, compared to a 81-million-euro net release in the reference period) and Belgium (net addition of 113 million euros in the period under review, compared to 40 million euros in the reference period). As a result, the annualised credit cost ratio for the whole group stood at 0.12%, compared to -0.04% for full-year 2018 (a negative figure indicates a positive impact on the results).
- The 1 175-million-euro net result for the first half of 2019 breaks down as follows: 564 million euros for the Belgium Business Unit (-17% compared to the year-earlier period), 425 million euros for the Czech Republic Business Unit (+35%, for a large part owing to the positive one-off gain of 82 million euros related to ČMSS), 175 million euros for the International Markets Business Unit (-42%) and 11 million euros for the Group Centre (compared to a negative 48 million euros in the first half of 2018). The result for the International Markets Business Unit for the first half of 2019 includes 22 million euros for Ireland, 79 million euros for Hungary, 29 million euros for Slovakia and 42 million euros for Bulgaria.

Risk statement, economic views and guidance

Risk statement

As we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, market risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. KBC closely monitors and manages each of these risks within a strict risk framework, but 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. These relate to recent macroeconomic and political developments, such as Brexit and trade conflicts, all of which affect global and European economies, including KBC's home markets. Economic growth and interest rate forecasts have been lowered, making it increasingly likely that the low interest rate environment will persist for longer than anticipated. Regulatory and compliance risks (including anti-money laundering regulation and GDPR) remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to 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.

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

Our view on interest rates and foreign exchange rates

A weaker economic outlook with elevated risks and below-target inflation levels have led to a shift in major central banks' forward guidance towards additional or renewed monetary stimuli. Following the recent 25 basis points rate cut, we expect additional rate cuts by the Fed in the near future. Since euro area inflation will remain below the ECB's medium-term target and risk factors such as trade conflicts are impacting European growth momentum, the ECB will most likely ease its policy stance going forward too. The expected additional ECB easing will come on top of the ongoing accommodative impact of the ECB's 'full reinvestment' policy, which keeps its balance sheet at an elevated level.

Market expectations about additional monetary stimuli have been the driving force behind recent declines in long(er)-term interest rates. We view the recent rapid decline in long-term yields as a market reaction to the expectations on the pace of monetary easing. Therefore we expect the upward potential for longer-term interest rates to be limited.

The Czech National Bank has been tightening its monetary policy with a somewhat sooner-than-expected rate hike earlier this year (+25 basis points to 2% on 2 May). This reflected an environment of buoyant Czech growth and inflation. However, looser monetary policy abroad is also playing a role, as marked deviations from the ECB path have become less likely. Therefore, we expect the Czech National Bank to have a more accommodative policy in the coming years.

Our view on economic growth

In line with global economic developments, the European economy is currently going through a slowdown. Decreasing unemployment rates and growing labour shortages in some European economies, combined with gradually rising wage inflation, may continue to support private consumption. Investment may also remain supportive for growth. The main factors that could substantially impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro area countries.

Guidance

- Solid returns for all business units.
- Basel IV impact (as of 1 January 2022) for KBC is estimated to increase risk-weighted assets (RWA) by roughly 8 billion euros (on a fully loaded basis at the end of 2018), corresponding to RWA inflation of 9% and an impact on the common equity ratio of -1.3 percentage points.
- As regards our dividend policy, KBC will pay an interim dividend of 1 euro per share in November 2019 as an advance payment on the total dividend (payment date: 15 November 2019; record date: 14 November 2019; ex coupon date: 13 November 2019). The payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is reconfirmed.

KBC Group

Consolidated financial statements according to IFRS

2Q 2019 and 1H 2019

Section reviewed by the Auditor

Glossary

AC: amortised cost
AFS: Available For Sale (IAS 39)
ALM: Asset Liability Management
ECL: Expected Credit Loss
FA: Financial Assets
FV: Fair Value
FVA: Funding Value Adjustment
FVOCI: Fair Value through Other Comprehensive Income
FVPL: Fair Value through Profit or Loss
FVPL – overlay: Fair Value through Profit or Loss - overlay
GCA: Gross Carrying Amount
HFT: Held For Trading
OCI: Other Comprehensive Income
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	1H 2019	1H 2018	2Q 2019	1Q 2019	2Q 2018
Net interest income	3.1	2 261	2 242	1 132	1 129	1 117
Interest income	*3.1*	*3 629*	*3 394*	*1 807*	*1 821*	*1 712*
Interest expense	*3.1*	*- 1 367*	*- 1 153*	*- 675*	*- 692*	*- 595*
Non-life insurance (before reinsurance)	3.7	335	364	174	161	202
Earned premiums	*3.7*	*840*	*770*	*425*	*415*	*392*
Technical charges	*3.7*	*- 505*	*- 406*	*- 251*	*- 254*	*- 190*
Life insurance (before reinsurance)	3.7	- 2	- 5	1	- 3	1
Earned premiums	*3.7*	*668*	*651*	*317*	*351*	*315*
Technical charges	*3.7*	*- 669*	*- 656*	*- 316*	*- 354*	*- 314*
Ceded reinsurance result	3.7	- 5	- 23	1	- 7	- 14
Dividend income		51	55	39	12	34
Net result from financial instruments at fair value through profit or loss	3.3	97	150	- 2	99	54
of which result on equity instruments (overlay approach)		*48*	*52*	*19*	*29*	*33*
Net realised result from debt instruments at fair value through OCI		2	9	0	2	8
Net fee and commission income	3.5	845	889	435	410	438
Fee and commission income	*3.5*	*1 203*	*1 247*	*616*	*588*	*600*
Fee and commission expense	*3.5*	*- 358*	*- 359*	*- 180*	*- 178*	*- 161*
Net other income	3.6	192	94	133	59	23
TOTAL INCOME		3 775	3 775	1 913	1 862	1 863
Operating expenses	3.8	- 2 283	- 2 257	- 988	- 1 296	- 966
Staff expenses	*3.8*	*- 1 170*	*- 1 170*	*- 603*	*- 567*	*- 587*
General administrative expenses	*3.8*	*- 944*	*- 951*	*- 298*	*- 647*	*- 311*
Depreciation and amortisation of fixed assets	*3.8*	*- 169*	*- 137*	*- 87*	*- 82*	*- 69*
Impairment	3.10	- 109	58	- 40	- 69	1
on financial assets at AC and at FVOCI	*3.10*	*- 103*	*84*	*- 36*	*- 67*	*21*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 6*	*- 26*	*- 4*	*- 1*	*- 20*
Share in results of associated companies and joint ventures		8	10	4	5	3
RESULT BEFORE TAX		1 392	1 585	889	503	901
Income tax expense	3.12	- 217	- 337	- 144	- 73	- 210
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		1 175	1 248	745	430	692
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**1 175**	**1 248**	**745**	**430**	**692**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		2.75	2.91	1.76	0.98	1.61
Diluted		2.74	2.91	1.76	0.98	1.61

Impact of acquiring the remaining 45% stake in Czech building savings bank Českomoravská stavební spořitelna (ČMSS):

As of June 2019 the result of ČMSS is fully consolidated, while previously according to the equity method. For more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

Overview impact of the overlay approach on the consolidated income statement

The equity instruments of the insurance companies within the group are designated under the overlay approach. These equity instruments, mainly classified as AFS under IAS 39, would have been measured at fair value through P&L under IFRS 9. The overlay approach reclassifies from the income statement to OCI the extra volatility related to the adoption of IFRS 9 as long as IFRS 17 is not in place, until 1st January 2022 (subject to EU endorsement).

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to 139 million euros in 1H 2019. It can be summarized as the difference between

- IFRS 9 result (without applying the overlay): 188 million euros of which 192 million euros realised and unrealised fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and -5 million euros income taxes;
- IAS 39 result: 48 million euros including net realised result amounting to 59 million euros and impairment loss of 11 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1H 2019	1H 2018	2Q 2019	1Q 2019	2Q 2018
RESULT AFTER TAX	1 175	1 248	745	430	692
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	1 175	1 248	745	430	692
OCI TO BE RECYCLED TO PROFIT OR LOSS	467	- 241	222	244	- 167
Net change in revaluation reserve (FVOCI debt instruments)	419	- 138	226	194	- 105
Net change in revaluation reserve (FVPL equity instruments) - overlay approach	139	- 75	17	121	12
Net change in hedging reserve (cashflow hedges)	- 100	17	- 35	- 65	- 31
Net change in translation differences	- 6	- 136	2	- 8	- 136
Hedge of net investments in foreign operations	11	97	8	2	98
Net change in respect of associated companies and joint ventures	2	- 7	4	- 2	- 6
Other movements	1	0	0	1	0
OCI NOT TO BE RECYCLED TO PROFIT OR LOSS	- 4	- 12	- 37	33	- 12
Net change in revaluation reserve (FVOCI equity instruments)	11	5	4	7	2
Net change in defined benefit plans	- 13	- 19	- 43	29	- 16
Net change in own credit risk	- 2	3	0	- 2	3
Net change in respect of associated companies and joint ventures	0	0	1	- 1	0
TOTAL COMPREHENSIVE INCOME	1 637	995	930	708	513
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	1 637	994	930	708	513

The largest movements in other comprehensive income (1H 2019 vs. 1H 2018):

- The revaluation reserve (FV OCI debt instruments) increased in 1H 2019 by 419 million euros, positively impacted by lower interest rates. This also largely explains the negative net change in the hedging reserve (cash flow hedge) of -100 million euros. In 1H 2018, the revaluation reserve (FV OCI debt instruments) lowered by 138 million euros, negatively impacted by an increase of the credit spread on Italian government bonds and the unwinding effect (the latter also partly explains the positive net change in the hedging reserve (cash flow hedge)).
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the +139 million euros in 1H 2019 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments). In 1H 2018, the -75 million euros can be explained for the largest part by transfers to net result (gains on disposal) and to a lesser extent by negative fair value movements.
- Net change in translation differences in 1H 2018 (-136 million euros) is mainly caused by the depreciation of the CZK and HUF. This was largely compensated by the hedge of net investment in foreign operations (+97 million euros). The net impact between these two items can mainly be explained by the asymmetrical deferred tax treatment (no tax on net change in translation differences, while deferred tax is calculated on the hedge).

Consolidated balance sheet

(in millions of EUR)	Note	30-06-2019	31-12-2018
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		8 046	18 691
Financial assets	4.0	272 041	256 916
Amortised cost	*4.0*	*229 663*	*216 792*
Fair value through OCI	*4.0*	*18 931*	*18 279*
Fair value through profit or loss	*4.0*	*23 265*	*21 663*
of which held for trading	*4.0*	*7 460*	*6 426*
Hedging derivatives	*4.0*	*182*	*183*
Reinsurers' share in technical provisions, insurance		136	120
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		635	64
Tax assets		1 595	1 549
Current tax assets		*143*	*92*
Deferred tax assets		*1 452*	*1 457*
Non-current assets held for sale and disposal groups		10	14
Investments in associated companies and joint ventures		58	215
Property, equipment and investment property		3 742	3 299
Goodwill and other intangible assets		1 559	1 330
Other assets		1 725	1 610
TOTAL ASSETS		289 548	283 808
LIABILITIES AND EQUITY			
Financial liabilities	4.0	248 106	242 626
Amortised cost	*4.0*	*224 559*	*220 671*
Fair value through profit or loss	*4.0*	*22 349*	*20 844*
of which held for trading	*4.0*	*6 571*	*5 834*
Hedging derivatives	*4.0*	*1 198*	*1 111*
Technical provisions, before reinsurance		18 652	18 324
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		- 30	- 79
Tax liabilities		429	380
Current tax liabilities		*51*	*133*
Deferred tax liabilies		*377*	*247*
Liabilities associated with disposal groups		0	0
Provisions for risks and charges		203	235
Other liabilities		2 889	2 689
TOTAL LIABILITIES		270 249	264 175
Total equity	5.10	19 299	19 633
Parent shareholders' equity	5.10	17 799	17 233
Additional tier-1 instruments included in equity	5.10	1 500	2 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		289 548	283 808

The balance sheet at 30 June 2019 contains figures of the Czech building savings bank Českomoravská stavební spořitelna (ČMSS), of which the remaining 45% was acquired in May 2019 resulting in full consolidation (before: equity method). For more information on this matter, see Note 6.6 in this report.

On June 24, KBC Bank Ireland closed the transaction announced on April 12 to sell its legacy performing corporate loan portfolio of roughly 260 million euros to Bank of Ireland. For more information see note 'Financial assets and liabilities: breakdown by portfolio and product' (note 4.1) further in this report.

In the course of 2Q 2019, the accounting treatment of recourse factoring was reassessed in accordance with IFRS. For more information see note 'Financial assets and liabilities: breakdown by portfolio and product' (note 4.1) further in this report.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (AFS assets)*	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay approach*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cashflow hedges)*	*Translation differences*	*Hedge of net investments in foreign operations*	*Remeasure-ment of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	**Total equity**
30-06-2019																		
Balance at the end of the previous period	**1 457**	**5 482**	**- 3**	**10 901**	-	*586*	*159*	*22*	*- 1 263*	*- 73*	*86*	*- 119*	*- 3*	**- 605**	**17 233**	2 400	0	**19 633**
Net result for the period	**0**	**0**	**0**	**1 175**	-	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**1 175**	0	0	**1 175**
Other comprehensive income for the period	**0**	**0**	**0**	**1**	-	*422*	*139*	*12*	*- 100*	*- 6*	*11*	*- 13*	*- 2*	***461***	***463***	0	0	**463**
Subtotal	**0**	**0**	**0**	**1 176**	-	*422*	*139*	*12*	*- 100*	*- 6*	*11*	*- 13*	*- 2*	**461**	**1 637**	0	0	**1 637**
Dividends	**0**	**0**	**0**	**- 1 040**	-	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 1 040**	0	0	**- 1 040**
Coupon on additional tier-1 instruments	**0**	**0**	**0**	**- 29**	-	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 29**	0	0	**- 29**
Capital increase	**0**	**0**	**0**	**0**	-	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Issue or Call of additional Tier-1 instruments included in equity	**0**	**0**	**0**	**- 2**	-	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 2**	- 900	0	**- 902**
Purchase/sale of treasury shares	**0**	**0**	**0**	**0**	-	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Total change	**0**	**0**	**0**	**104**	-	*422*	*139*	*12*	*- 100*	*- 6*	*11*	*- 13*	*- 2*	**461**	**566**	- 900	0	**- 334**
Balance at the end of the period	**1 457**	**5 482**	**- 2**	**11 005**	-	*1 008*	*298*	*34*	*- 1 363*	*- 79*	*97*	*- 132*	*- 6*	***- 144***	***17 799***	*1 500*	*0*	***19 299***
of which relating to application of the equity method					-	*8*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	***9***	***9***			***9***
2018																		
Balance at the end of the previous period	**1 456**	**5 467**	**- 5**	**10 101**	*1 751*	*0*	*0*	*0*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**383**	**17 403**	1 400	0	**18 803**
Impact of the first-time adoption of IFRS 9	**0**	**0**	**0**	**- 247**	*- 1 751*	*837*	*387*	*29*	*0*	*0*	*0*	*0*	*0*	**- 499**	**- 746**	0	0	**- 746**
Balance at the beginning of the period after impact IFRS 9	**1 456**	**5 467**	**- 5**	**9 854**	0	837	387	29	- 1 339	- 11	45	- 52	- 10	**- 116**	**16 657**	1 400	0	**18 057**
Net result for the period	**0**	**0**	**0**	**2 570**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**2 570**	0	0	**2 570**
Other comprehensive income for the period	**0**	**0**	**0**	**- 2**	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	**- 489**	**- 491**	0	0	**- 491**
Subtotal	**0**	**0**	**0**	**2 568**	0	- 251	- 228	- 6	76	- 61	41	- 67	7	**- 489**	**2 079**	0	0	**2 079**
Dividends	**0**	**0**	**0**	**- 1 253**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 1 253**	0	0	**- 1 253**
Coupon on additional tier-1 instruments	**0**	**0**	**0**	**- 70**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 70**	0	0	**- 70**
Capital increase	**1**	**15**	**0**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**16**	0	0	**16**
Transfer from revaluation reserves to retained earnings on realisation	**0**	**0**	**0**	**- 12**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 12**	0	0	**- 12**
Issue of additional Tier-1 instruments included in equity	**0**	**0**	**0**	**- 5**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 5**	1 000	0	**995**
Purchase/sale of treasury shares	**0**	**0**	**- 179**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 179**	0	0	**- 179**
Liquidation of treasury shares	**0**	**0**	**181**	**- 181**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Total change	**1**	**15**	**2**	**1 047**	0	- 251	- 228	- 6	76	- 61	41	- 67	7	**- 489**	**576**	1 000	0	**1 576**
Balance at the end of the period	**1 457**	**5 482**	**- 3**	**10 901**	0	586	159	22	- 1 263	- 73	86	- 119	- 3	**- 605**	**17 233**	2 400	0	**19 633**
of which relating to application of the equity method					*0*	*5*	*0*	*1*	*0*	*14*	*0*	*0*	*0*	***20***	***20***			***20***

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (AFS assets)*	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay approach*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cashflow hedges)*	*Translation differences*	*Hedge of net investments in foreign operations*	*Remeasure-ment of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-06-2018																		
Balance at the end of the previous period	1 456	5 467	- 5	10 101	*1 751*	*0*	*0*	*0*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	383	17 403	1 400	0	18 803
Impact of the first-time adoption of IFRS 9	0	0	0	- 247	*- 1 751*	*837*	*387*	*29*	*0*	*0*	*0*	*0*	*0*	- 499	- 746	0	0	- 746
Balance at the beginning of the period after impact IFRS 9	1 456	5 467	- 5	9 854	0	837	387	29	- 1 339	- 11	45	- 52	- 10	- 116	16 657	1 400	0	18 057
Net result for the period	0	0	0	1 248	-	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	1 248	0	0	1 248
Other comprehensive income for the period	0	0	0	0	*0*	*- 141*	*- 75*	*4*	*17*	*- 140*	*97*	*- 19*	*3*	- 253	- 253	0	0	- 253
Subtotal	0	0	0	1 247	*0*	*- 141*	*- 75*	*4*	*17*	*- 140*	*97*	*- 19*	*3*	- 253	994	0	0	995
Dividends	0	0	0	- 838	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	- 838	0	0	- 838
Coupon on additional tier-1 instruments	0	0	0	- 28	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	- 28	0	0	- 28
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 7	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	- 7	0	0	- 7
Issue of additional Tier-1 instruments included in equity	0	0	0	- 5	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	- 5	1 000	0	995
Purchase/sale of treasury shares	0	0	- 159	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	- 159	0	0	- 159
Total change	0	0	- 159	371	*0*	*- 141*	*- 75*	*4*	*17*	*- 140*	*97*	*- 19*	*3*	- 253	- 41	1 000	0	959
Balance at the end of the period	1 456	5 467	- 163	10 225	0	696	312	33	- 1 321	- 151	142	- 71	- 8	- 369	16 616	2 400	0	19 016
of which relating to application of the equity method					*0*	*7*	*0*	*1*	*0*	*12*	*0*	*0*	*0*	*20*	*20*			*20*

The line 'Dividends' in 2018 includes:

- the closing dividend of 2 euros per share for 2017 (a total of 837 million euros has been deducted from retained earnings in 2Q 2018)
- an interim dividend of 1 euro per share (416 million euros in total) as an advance on the final dividend for 2018 (payment date 16 November 2018).

The line 'Dividends' in 1H 2019 includes:

- for 2018 a closing dividend of 2,50 euros per share (a total of 1 040 million euros is deducted from retained earnings in 2Q 2019). The closing dividend was paid on 9 May 2019.

The line 'Issue or Call of additional Tier-1 instruments included in equity' in 1H 2019 includes:

- on February 26, 2019 KBC Group NV placed 500 million euros Additional Tier-1 securities.
- on 19 March 2019, KBC called the Additional Tier-1 (AT1) instrument it issued in 2014, which had a nominal value of 1.4 billion euros. For more information see note 'Parent shareholders equity and AT1 instruments' (note 5.10) further in this report.

Consolidated cash flow statement

(in millions of EUR)	1H 2019	1H 2018
Cash and cash equivalents at the beginning of the period	34 354	40 413
Net cash from (used in) operating activities	- 4 877	2 885
Net cash from (used in) investing activities	848	2 314
Net cash from (used in) financing activities	- 685	578
Effects of exchange rate changes on opening cash and cash equivalents	222	- 400
Cash and cash equivalents at the end of the period	29 860	45 791

The negative net cash from operating activities in 1H 2019 mainly includes higher term loans and mortgage loans, partly compensated by the realized result.
The positive net cash from operating activities in 1H 2018 is mainly thanks to the realized result and lower outstanding debt securities at fair value through OCI (versus year-end 2017).

Net cash from (used in) investing activities of 1H 2019 and 1H 2018 is related to maturing investments in debt securities at amortised cost. Additionally 1H 2019 includes +439 million euros related to the acquisition of the remaining 45% stake in the Czech building society Českomoravská stavební spořitelna (ČMSS) (the acquisition price of 240 million euros is more than compensated by available cash and cash equivalents on the balance sheet of ČMSS).

The net cash flow from financing activities in 1H 2019 includes (for more information see 'Parent shareholders' equity and AT1 instruments' (note 5.10) further in this report):

- the call by KBC Group NV of Additional Tier-1 instruments that had been issued in 2014, with a nominal value of 1.4 billion euros,
- the issue of Additional Tier-1 instruments included in equity for 500 million euros,
- payment on May of the closing dividend for 2018 of 2.50 euros per share (a total of 1 040 million euros) and
- the issue of Senior Holdco instruments for 1 500 million euros.

The net cash flow from financing activities in 1H 2018 includes:

- the call by KBC Bank of the 1-billion-US-dollar contingent capital note (CoCo) that had been issued in January 2013 and 837 million euros dividend payment,
- but this was more than compensated by the issue of covered bonds for 750 million euros,
- the issue of a green bond for 500 million euros and
- the issue of Additional Tier-1 instruments included in equity for 1 billion euros.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2018)

The condensed interim financial statements of the KBC Group for the period ended 30 June 2019 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 2018, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The following IFRS standards became effective on 1 January 2019 and have been applied in this report:

- IFRS 16:
  - In January 2016, the IASB issued IFRS 16 (Leases), which became effective on 1 January 2019. The new standard does not significantly change the accounting treatment of leases for lessors and, therefore, its impact is limited for KBC (given that it is mainly a lessor and not a lessee). The impact of the first-time application of IFRS 16 on the common equity ratio was limited to -6 basis points.

The following IFRS standards were issued but not yet effective in 2019. KBC will apply these standards when they become mandatory.

- IFRS 17:
  - In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 will become effective for reporting periods beginning on or after 1 January 2022 (subject to EU endorsement), with comparative figures being required. An impact study is an inherent part of the IFRS 17 project that is currently underway at KBC.

- Other:
  - The IASB published several limited amendments to existing IFRSs and IFRICs. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

Summary of significant accounting policies (note 1.2 in the annual accounts 2018)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2018.

- IFRS 16:
  - All leases need to be classified as either finance lease or operating lease. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.
    This classification is crucial for lessor positions; for lessee positions, this classification is of lesser importance since both classifications result in a similar recognition and measurement of the lease in the balance sheet and profit or loss.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2018)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2018.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	Of which: Hungary	Slovakia	Bulgaria	Ireland	Group Centre	KBC Group
1H 2019									
Net interest income	1 245	610	427	*126*	*102*	*70*	*130*	- 21	**2 261**
Non-life insurance (before reinsurance)	205	56	69	*23*	*14*	*32*	*0*	5	**335**
Earned premiums	545	136	155	*73*	*23*	*60*	*0*	5	**840**
Technical charges	- 340	- 80	- 86	*- 49*	*- 9*	*- 28*	*0*	0	**- 505**
Life insurance (before reinsurance)	- 49	29	18	*4*	*6*	*8*	*0*	0	**- 2**
Earned premiums	501	117	50	*8*	*21*	*20*	*0*	0	**668**
Technical charges	- 550	- 88	- 32	*- 4*	*- 15*	*- 12*	*0*	0	**- 669**
Ceded reinsurance result	12	- 4	- 5	*- 1*	*- 1*	*- 3*	*0*	- 8	**- 5**
Dividend income	49	0	0	*0*	*0*	*0*	*0*	2	**51**
Net result from financial instruments at fair value through profit or loss	97	- 37	20	*18*	*- 2*	*8*	*- 4*	17	**97**
Net realised result from debt instruments at fair value through OCI	0	0	1	*0*	*1*	*0*	*0*	0	**2**
Net fee and commission income	578	125	146	*104*	*32*	*12*	*- 2*	- 3	**845**
Net other income	95	97	0	*1*	*3*	*0*	*- 4*	- 1	**192**
TOTAL INCOME	2 234	875	676	*275*	*155*	*126*	*121*	- 10	**3 775**
Operating expenses	- 1 383	- 383	- 472	*- 183*	*- 107*	*- 76*	*- 107*	- 45	**- 2 283**
Impairment	- 114	- 5	1	*3*	*- 11*	*- 3*	*12*	10	**- 109**
on financial assets at amortised cost and at fair value through OCI	- 113	- 2	2	*3*	*- 11*	*- 3*	*12*	10	**- 103**
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	**0**
other	- 2	- 3	- 1	*0*	*0*	*0*	*0*	0	**- 6**
Share in results of associated companies and joint ventures	- 2	9	2	*0*	*0*	*0*	*0*	0	**8**
RESULT BEFORE TAX	734	495	207	*94*	*38*	*47*	*26*	- 45	**1 392**
Income tax expense	- 170	- 70	- 32	*- 15*	*- 9*	*- 5*	*- 3*	56	**- 217**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	564	425	175	*79*	*29*	*42*	*22*	11	**1 175**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	564	425	175	*79*	*29*	*42*	*22*	11	**1 175**

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	Of which: Hungary	Slovakia	Bulgaria	Ireland	Group Centre	KBC Group
1H 2018									
Net interest income	1 291	489	449	*120*	*104*	*76*	*148*	13	**2 242**
Non-life insurance (before reinsurance)	247	51	57	*21*	*12*	*25*	*0*	9	**364**
Earned premiums	524	119	121	*53*	*19*	*48*	*0*	7	**770**
Technical charges	- 277	- 68	- 63	*- 33*	*- 8*	*- 23*	*0*	2	**- 406**
Life insurance (before reinsurance)	- 49	29	15	*5*	*6*	*4*	*0*	0	**- 5**
Earned premiums	485	118	49	*8*	*27*	*13*	*0*	- 1	**651**
Technical charges	- 534	- 89	- 34	*- 4*	*- 21*	*- 9*	*0*	0	**- 656**
Ceded reinsurance result	- 12	- 5	- 7	*- 1*	*- 1*	*- 4*	*0*	1	**- 23**
Dividend income	50	0	0	*0*	*0*	*0*	*0*	5	**55**
Net result from financial instruments at fair value through profit or loss	87	48	42	*33*	*3*	*6*	*0*	- 27	**150**
Net realised result from debt instruments at fair value through OCI	0	0	1	*0*	*0*	*1*	*0*	8	**9**
Net fee and commission income	620	131	141	*97*	*28*	*16*	*- 1*	- 3	**889**
Net other income	108	7	16	*14*	*4*	*- 1*	*0*	- 37	**94**
TOTAL INCOME	2 342	751	714	*288*	*156*	*122*	*148*	- 32	**3 775**
Operating expenses	- 1 384	- 362	- 462	*- 183*	*- 102*	*- 77*	*- 100*	- 50	**- 2 257**
Impairment	- 40	- 16	94	*7*	*0*	*6*	*81*	20	**58**
on financial assets at amortised cost and at fair value through OCI	- 40	3	100	*7*	*0*	*12*	*81*	20	**84**
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	**0**
other	0	- 19	- 6	*0*	*0*	*- 6*	*- 1*	0	**- 26**
Share in results of associated companies and joint ventures	- 5	12	3	*0*	*0*	*1*	*0*	0	**10**
RESULT BEFORE TAX	913	385	349	*113*	*54*	*52*	*129*	- 62	**1 585**
Income tax expense	- 232	- 69	- 50	*- 16*	*- 12*	*- 5*	*- 16*	14	**- 337**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	680	316	299	*96*	*42*	*47*	*113*	- 48	**1 248**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	680	316	299	*96*	*42*	*47*	*113*	- 48	**1 248**

Other notes

Net interest income (note 3.1 in the annual accounts 2018)

(in millions of EUR)	1H 2019	1H 2018	2Q 2019	1Q 2019	2Q 2018
Total	2 261	2 242	1 132	1 129	1 117
Interest income	3 629	3 394	1 807	1 821	1 712
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	2 743	2 568	1 383	1 360	1 286
Financial assets at FVOCI	166	198	78	88	97
Hedging derivatives	247	171	128	119	121
Other assets not at fair value	35	38	16	19	19
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	3	4	1	1	2
Financial assets held for trading	434	416	201	233	187
Of which economic hedges	*421*	*403*	*195*	*226*	*180*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-1 367	-1 153	- 675	- 692	- 595
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 671	- 518	- 332	- 340	- 263
Hedging derivatives	- 330	- 266	- 167	- 164	- 164
Other	- 51	- 60	- 25	- 25	- 31
Interest expense on other financial instruments					
Financial liabilities held for trading	- 291	- 292	- 139	- 152	- 130
Of which economic hedges	*- 274*	*- 277*	*- 130*	*- 144*	*- 124*
Other financial liabilities at FVPL	- 20	- 13	- 11	- 9	- 7
Net interest expense relating to defined benefit plans	- 4	- 3	- 2	- 2	- 1

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2018)

The result from financial instruments at fair value through profit or loss in 2Q 2019 is 102 million euros lower compared to 1Q 2019. The quarter-on-quarter decrease is due to:

- Lower dealing room income in Belgium and Czech Republic
- Negative MTM ALM derivatives in 2Q2019 compared to positive MTM ALM derivatives in 1Q19
- Lower net results on equity instruments (insurance)

Compared to 2Q 2018, the result from financial instruments at fair value through profit or loss is 57 million euros lower in 2Q 2019, for a large part explained by:

- Lower dealing room income in Czech Republic and Belgium
- Lower net results on equity instruments (insurance)

Only partly compensated by:

- Less negative market value adjustments in 2Q 2019

The result from financial instruments at fair value through profit or loss in 1H 2019 is 54 million euros lower compared to 1H 2018, for a large part explained by:

- Lower dealing room income (lower in Czech Republic partly compensated by higher dealing room income in Belgium)

Only partly compensated by:

- Less negative market value adjustments in 1H 2019

Net fee and commission income (note 3.5 in the annual accounts 2018)

(in millions of EUR)	1H 2019	1H 2018	2Q 2019	1Q 2019	2Q 2018
Total	845	889	435	410	438
Fee and commission income	1 203	1 247	616	588	600
Fee and commission expense	- 358	- 359	- 180	- 178	- 161
Breakdown by type					
Asset Management Services	534	580	270	264	281
Fee and commission income	*562*	*607*	*285*	*277*	*295*
Fee and commission expense	*- 28*	*- 27*	*- 14*	*- 13*	*- 14*
Banking Services	449	439	230	219	223
Fee and commission income	*609*	*606*	*315*	*294*	*288*
Fee and commission expense	*- 160*	*- 167*	*- 85*	*- 76*	*- 65*
Distribution	- 138	- 130	- 65	- 73	- 66
Fee and commission income	*32*	*34*	*16*	*16*	*17*
Fee and commission expense	*- 170*	*- 164*	*- 82*	*- 89*	*- 83*

Net other income (note 3.6 in the annual accounts 2018)

(in millions of EUR)	1H 2019	1H 2018	2Q 2019	1Q 2019	2Q 2018
Total	192	94	133	59	23
of which gains or losses on					
Sale of financial assets measured at amortised cost	4	11	0	3	11
Repurchase of financial liabilities measured at amortised cost	0	0	0	0	0
Other, including:	188	83	133	55	12
Income from (mainly operational) leasing activities, KBC Lease Group	39	35	20	19	17
Income from VAB Group	22	30	11	11	15
One-off effect revaluation of 55% share in CMSS	82	0	82	0	0
Settlement of legacy legal cases	6	- 20	0	6	- 38

Notes :

- 82 million euros one-off gain in Czech Republic as a result of the revaluation of KBC's 55% stake in ČMSS related to the acquisition in 2Q 2019 of the remaining 45% stake (for more info see Note 6.6 further in this report)
- settlement of legacy legal cases concerns Czech Republic (6 million euros in 1Q 2019), Belgium (18 million euros in 1Q 2018) and Group Centre (38 million euros in 2Q 2018)

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2018)

(in millions of EUR)	Life	Non-life	Non-technical account	TOTAL
1H 2019				
Earned premiums, insurance (before reinsurance)	668	851	-	1 519
Technical charges, insurance (before reinsurance)	- 669	- 506	-	- 1 176
Net fee and commission income	- 13	- 163	-	- 176
Ceded reinsurance result	- 1	- 4	-	- 5
General administrative expenses	- 82	- 127	- 1	- 211
Internal claims settlement expenses	- 4	- 30	0	- 35
Indirect acquisition costs	- 15	- 35	0	- 51
Administrative expenses	- 63	- 61	0	- 124
Investment management fees	0	0	- 1	- 1
Technical result	- 98	50	- 1	- 49
Investment Income (*)	249	43	23	315
Technical-financial result	151	94	21	266
Share in results of associated companies and joint ventures	–	–	2	2
RESULT BEFORE TAX	151	94	23	268
Income tax expense	–	–	–	- 47
RESULT AFTER TAX	–	–	–	221
attributable to minority interest	–	–	–	0
attributable to equity holders of the parent	–	–	–	221
1H 2018				
Earned premiums, insurance (before reinsurance)	652	780	-	1 432
Technical charges, insurance (before reinsurance)	- 657	- 406	-	- 1 063
Net fee and commission income	- 11	- 151	-	- 162
Ceded reinsurance result	0	- 23	-	- 23
General administrative expenses	- 82	- 125	- 1	- 209
Internal claims settlement expenses	- 4	- 29	0	- 33
Indirect acquisition costs	- 17	- 37	0	- 54
Administrative expenses	- 61	- 59	0	- 120
Investment management fees	0	0	- 1	- 1
Technical result	- 99	75	- 1	- 25
Investment Income	287	41	27	355
Technical-financial result	188	116	25	330
Share in results of associated companies and joint ventures	–	–	2	2
RESULT BEFORE TAX	188	116	27	332
Income tax expense	–	–	–	- 75
RESULT AFTER TAX	–	–	–	257
attributable to minority interest	–	–	–	0
attributable to equity holders of the parent	–	–	–	257

(*) 1H 2019 consists of (in millions of EUR): Net interest income (232), Net Dividend income (31), Net result from financial instruments at fair value through profit and loss (53), Net realised result from debt instruments at fair value through OCI (1), Net other income (0) and Impairment (-2). The non-technical account includes also results of non-insurance companies such as VAB group and ADD.

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2018 annual accounts).

In 1H 2019 the technical result non-life was negatively impacted by:

- Storms in Belgium and Czech Republic (before tax and before reinsurance) for an amount of about -41 million euros in 1Q 2019 and -19 million euros in 2Q 2019. The net impact in 1H 2019 after reinsurance amounts to -50 million euros.
- Large fire claims in 1H 2019 in Belgium of -23 million euros (before tax, before reinsurance).
- Reassessment of claims provisions in 2Q 2019 of -16 million euros (before tax).

Operating expenses – income statement (note 3.8 in the annual accounts 2018)

The operating expenses for 2Q 2019 include 30 million euros related to bank (and insurance) levies (382 million euros in 1Q 2019; 24 million euros in 2Q 2018, 413 million euros in 1H 2019 and 395 million euros in 1H 2018). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

Impairment – income statement (note 3.10 in the annual accounts 2018)

(in millions of EUR)	1H 2019	1H 2018	2Q 2019	1Q 2019	2Q 2018
Total	**- 109**	**58**	**- 40**	**- 69**	**1**
Impairment on financial assets at AC and at FVOCI	**- 103**	**84**	**- 36**	**- 67**	**21**
Of which impairment on financial assets at AC	**- 103**	**82**	**- 35**	**- 68**	**19**
By product					
Loans and advances	- 95	68	- 33	- 62	21
Debt securities	- 1	0	0	- 1	0
Off-balance-sheet commitments and financial guarantees	- 7	13	- 3	- 5	- 2
By type					
Stage 1 (12-month ECL)	- 17	- 11	- 15	- 2	- 8
Stage 2 (lifetime ECL)	- 4	49	- 11	8	15
Stage 3 (non-performing; lifetime ECL)	- 88	43	- 18	- 70	10
Purchased or originated credit impaired assets	6	0	9	- 3	2
Of which impairment on financial assets at FVOCI	**0**	**2**	**0**	**0**	**2**
Debt securities	0	2	0	0	2
Stage 1 (12-month ECL)	- 1	2	0	- 1	2
Stage 2 (lifetime ECL)	1	0	0	1	1
Stage 3 (non-performing; lifetime ECL)	0	0	0	0	0
Impairment on goodwill	**0**	**0**	**0**	**0**	**0**
Impairment on other	**- 6**	**- 26**	**- 4**	**- 1**	**- 20**
Intangible fixed assets (other than goodwill)	- 3	0	- 3	0	0
Property, plant and equipment (including investment property)	- 1	- 26	- 1	0	- 20
Associated companies and joint ventures	0	0	0	0	0
Other	- 1	1	0	- 1	1

The increase of stage 3 in 1H 2019 was attributable mainly to loan loss impairments in Belgium due to a number of corporate files.

Income tax expense – income statement (note 3.12 in the annual accounts 2018)

One-off gain in income tax in 2Q 2019: a positive impact of 34m in income tax is linked to the new hedging policy of FX participations:

- The new policy aims to stabilize the group capital ratio whereby the hedging amount needs to synchronize the sensitivity of available capital (numerator of CET1 ratio) and risk weighted assets (denominator of CET1 ratio) to FX shocks in relative terms.
- In the old policy, the aim was to stabilize parent shareholders' equity.

As a result of this new hedging policy, a substantial part of the existing hedges have been terminated. While the FX result on the termination of these hedges remains in OCI, the income tax impact is included in the income statement.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2018)

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through OCI (FVOCI)	Mandatorily measured at FVPL (other than held for trading) (MFVPL excl. HFT)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	*Total excl. CMSS*
FINANCIAL ASSETS, 30-06-2019								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 319	0	0	1	0	0	5 320	*5 320*
Loans and advances to customers (excl. reverse repos)	154 084	0	85	0	0	0	154 169	*149 598*
Trade receivables	1 991	0	0	0	0	0	1 991	*1 991*
Consumer credit	5 499	0	0	0	0	0	5 499	*4 519*
Mortgage loans	66 047	0	72	0	0	0	66 120	*62 552*
Term loans	68 493	0	12	0	0	0	68 505	*68 484*
Finance lease	5 823	0	0	0	0	0	5 823	*5 823*
Current account advances	5 384	0	0	0	0	0	5 384	*5 384*
Other	847	0	0	0	0	0	847	*845*
Reverse repos	28 069	0	0	164	0	0	28 233	*28 233*
with credit institutions and investment firms	27 428	0	0	164	0	0	27 592	*27 592*
with customers	641	0	0	0	0	0	641	*641*
Equity instruments	0	256	1 297	913	0	0	2 465	*2 465*
Investment contracts (insurance)	0	0	14 319	0	0	0	14 319	*14 319*
Debt securities issued by	41 399	18 676	105	1 101	0	0	61 281	*61 013*
Public bodies	35 858	12 130	0	986	0	0	48 975	*48 707*
Credit institutions and investment firms	3 431	2 772	0	25	0	0	6 227	*6 227*
Corporates	2 111	3 773	105	89	0	0	6 079	*6 079*
Derivatives	0	0	0	5 270	0	182	5 453	*5 453*
Other	790	0	0	12	0	0	802	*802*
Total	229 663	18 931	15 806	7 460	0	182	272 041	*267 203*
FINANCIAL ASSETS, 31-12-2018								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 069	0	0	0	0	0	5 070	
Loans and advances to customers (excl. reverse repos)	146 954	0	85	0	13	0	147 052	
Trade receivables	4 197	0	0	0	0	0	4 197	
Consumer credit	4 520	0	0	0	0	0	4 520	
Mortgage loans	60 766	0	71	0	0	0	60 837	
Term loans	65 717	0	14	0	13	0	65 744	
Finance lease	5 618	0	0	0	0	0	5 618	
Current account advances	5 527	0	0	0	0	0	5 527	
Other	609	0	0	0	0	0	609	
Reverse repos	21 133	0	0	0	0	0	21 134	
with credit institutions and investment firms	20 976	0	0	0	0	0	20 977	
with customers	157	0	0	0	0	0	157	
Equity instruments	0	258	1 249	763	0	0	2 271	
Investment contracts (insurance)	0	0	13 837	0	0	0	13 837	
Debt securities issued by	41 649	18 020	54	714	0	0	60 437	
Public bodies	35 710	12 025	0	557	0	0	48 292	
Credit institutions and investment firms	3 032	2 579	0	76	0	0	5 687	
Corporates	2 907	3 417	54	81	0	0	6 458	
Derivatives	0	0	0	4 942	0	183	5 124	
Other	1 986	0	0	6	0	0	1 992	
Total	216 792	18 279	15 224	6 426	13	183	256 916	

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	*Total excl. CMSS*
FINANCIAL LIABILITIES, 30-06-2019						
Deposits from credit institutions and investment firms (excl. repos)	22 153	0	0	-	**22 153**	*22 153*
Deposits from customers and debt securities (excl. repos)	196 436	305	2 397	-	**199 138**	*193 746*
Demand deposits	82 379	0	0	-	**82 379**	*82 379*
Time deposits	15 830	122	246	-	**16 198**	*16 198*
Savings accounts	67 934	0	0	-	**67 934**	*62 542*
Special deposits	2 497	0	0	-	**2 497**	*2 497*
Other deposits	537	0	0	-	**537**	*536*
Certificates of deposit	9 634	0	8	-	**9 642**	*9 642*
Savings certificates	1 303	0	0	-	**1 303**	*1 303*
Non-convertible bonds	13 929	183	1 949	-	**16 061**	*16 061*
Non-convertible subordinated liabilities	2 394	0	194	-	**2 588**	*2 588*
Repos	3 604	18	0	-	**3 623**	*3 623*
with credit institutions and investment firms	2 593	0	0	-	**2 594**	*2 594*
with customers	1 011	18	0	-	**1 029**	*1 029*
Liabilities under investment contracts	0	-	13 381	-	**13 381**	*13 381*
Derivatives	-	5 163	0	1 198	**6 361**	*6 361*
Short positions	-	1 083	0	-	**1 083**	*1 083*
In equity instruments	-	20	0	-	**20**	*20*
In debt securities	-	1 064	0	-	**1 064**	*1 064*
Other	2 366	0	0	-	**2 366**	*2 327*
Total	224 559	6 571	15 779	1 198	**248 106**	*242 675*

FINANCIAL LIABILITIES, 31-12-2018					
Deposits from credit institutions and investment firms (excl. repos)	23 684	0	0	-	**23 684**
Deposits from customers and debt securities (excl. repos)	192 004	226	2 061	-	**194 291**
Demand deposits	79 893	0	0	-	**79 893**
Time deposits	16 499	49	296	-	**16 844**
Savings accounts	60 067	0	0	-	**60 067**
Special deposits	2 629	0	0	-	**2 629**
Other deposits	211	0	0	-	**211**
Certificates of deposit	15 575	0	8	-	**15 583**
Savings certificates	1 700	0	0	-	**1 700**
Non-convertible bonds	13 029	176	1 572	-	**14 777**
Non-convertible subordinated liabilities	2 402	0	186	-	**2 588**
Repos	1 001	0	0	-	**1 001**
with credit institutions and investment firms	932	0	0	-	**932**
with customers	69	0	0	-	**69**
Liabilities under investment contracts	0	-	12 949	-	**12 949**
Derivatives	-	4 673	0	1 111	**5 784**
Short positions	-	935	0	-	**935**
In equity instruments	-	16	0	-	**16**
In debt securities	-	919	0	-	**919**
Other	3 982	0	0	-	**3 983**
Total	220 671	5 834	15 010	1 111	**242 626**

On June 24, KBC Bank Ireland closed the transaction announced on April 12 to sell its legacy performing corporate loan portfolio of roughly 260 million euros to Bank of Ireland.

We have dealt with the impact of the acquisition of remaining shares of ČMSS in the pro forma 'Total excluding ČMSS' column, which helps provide a clear view of changes in financial assets and liabilities (excluding the acquisition of this company). For more information, please refer to Note 6.6.

In the course of 2Q 2019, the accounting treatment of recourse factoring was reassessed in accordance with IFRS and a change has been made as of 30 June 2019 implying a reduction of 834 million euros in trade receivables and time deposits and a reclassification of funded recourse contracts from trade receivables to term loans amounting to 1 683 million euros.

Impaired financial assets (note 4.2.1 in the annual accounts 2018)

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
			30-06-2019			31-12-2018
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances	190 509	- 3 036	187 473	176 680	- 3 523	173 157
Stage 1 (12-month ECL)	166 956	- 126	166 831	153 081	- 113	152 969
Stage 2 (lifetime ECL)	17 692	- 306	17 386	16 983	- 305	16 678
Stage 3 (lifetime ECL) (*)	5 725	- 2 572	3 154	6 461	- 3 062	3 399
Purchased or originated credit impaired assets (POCI)	135	- 32	102	154	- 42	112
Debt Securities	41 411	- 12	41 399	41 660	- 11	41 649
Stage 1 (12-month ECL)	41 333	- 4	41 329	41 409	- 5	41 405
Stage 2 (lifetime ECL)	71	- 2	69	244	- 1	243
Stage 3 (lifetime ECL)	7	- 6	2	7	- 6	2
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	18 681	- 6	18 676	18 026	- 6	18 020
Stage 1 (12-month ECL)	18 542	- 5	18 537	17 585	- 4	17 581
Stage 2 (lifetime ECL)	139	- 1	138	441	- 2	439
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

(*) A large part of the drop of impaired financial assets is related to the accounting write-off of certain fully provisioned legacy loans (0.6 billion euros in 1H 2019) mainly in Ireland.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2018)

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 4.4 up to and including 4.7 of the annual accounts 2018.

(in millions of EUR)				30-06-2019				31-12-2018
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	15 178	462	166	15 806	14 645	423	156	15 224
Held for trading	1 530	4 754	1 176	7 460	1 018	4 412	996	6 426
Designated upon initial recognition at fair value through profit or loss (FVO)	0	0	0	0	0	13	0	13
At fair value through OCI	14 638	3 763	531	18 931	13 773	4 066	441	18 280
Hedging derivatives	0	182	0	182	0	183	0	183
Total	31 345	9 160	1 873	42 379	29 436	9 096	1 593	40 125
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 053	3 600	1 917	6 571	831	3 457	1 545	5 834
Designated at fair value	13 350	822	1 606	15 779	12 931	856	1 223	15 010
Hedging derivatives	0	1 198	0	1 198	0	1 111	0	1 111
Total	14 403	5 620	3 524	23 547	13 763	5 424	2 768	21 955

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2018)

During the first half of 2019, KBC transferred about 50 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 730 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to an optimization in the level classification methodology.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2018)

During the first half of 2019 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets held for trading: the fair value of derivatives increased by 254 million euros, due primarily to changes in fair value and new transactions, partly offset by instruments that had reached maturity. The fair value of debt securities decreased by 73 million euros, fully due to the sale of securities.
- Financial assets measured at fair value through OCI: the fair value of debt securities increased by 82 million euros, mainly due to new positions.
- Financial liabilities held for trading: the fair value of derivatives increased by 365 million euros, due primarily to changes in fair value and new positions, partly offset by instruments that had reached maturity.
- Financial liabilities measured at fair value through profit and loss: the fair value of issued debt instruments increased by 383 million euros, due primarily to new issues and supported further by changes in fair value.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2018)

Quantities	30-06-2019	31-12-2018
Ordinary shares	**416 155 676**	**416 155 676**
of which ordinary shares that entitle the holder to a dividend payment	*416 155 676*	*416 155 676*
of which treasury shares	*42 285*	*50 284*
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

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

The treasury shares almost fully relate to positions in shares of KBC Group to hedge outstanding equity derivatives.

On April 17, 2018 KBC Group NV placed 1 billion euros in Additional Tier-1 (AT1) instruments and on February 26, 2019 KBC Group NV placed 500 million euros Additional Tier-1 securities.
Both transactions had no impact on the number of ordinary shares. Both AT1 Securities have been issued in view of a call of the existing 1.4 billion euros AT1 Securities issued in 2014. This call was done on 19 March 2019.

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2018)

In 1H 2019 :
On 31 May 2019, ČSOB has acquired the remaining 45% stake in ČMSS from Bausparkasse Schwäbisch Hall (BSH) for a total consideration of 240 million euros. As a result, ČMSS is now fully consolidated (previously equity method).

The consolidated figures in this report incorporate the impact of the acquisition of the 45% stake in ČMSS:

- As of June 2019, the results of ČMSS are fully consolidated into each line of the income statement (before that – hence also in April and May 2019 - the results of ČMSS were booked at 55% in the line 'Share in results of associated companies & joint-ventures').
- The one-off gain of 82 million euros related to the revaluation of the existing 55% stake was booked in the 'Net other income' line.
- On the balance sheet, ČMSS is also fully consolidated as of June 2019 (before that: according to the equity method in the balance sheet caption 'Investments in associated companies and joint ventures').

- We have dealt with the impact of the acquisition on financial assets and liabilities by product in Note 4.1. This note includes an additional pro forma ‘Total excluding ČMSS’ column, which helps provide a clear view of changes in financial assets and liabilities (excluding the acquisition of this company).
- KBC recognised goodwill of 164 million euros in its consolidated financial statements
- The transaction has an impact of -0.3 percentage points on KBC Group’s Common Equity Tier 1 ratio.
- The table below provides the fair value of the main assets and liabilities involved in the acquisition of ČMSS, as well as the contribution of ČMSS to the group's income statement for 2Q 2019.

in millions of EUR	30-06-2019
Purchase or sale	Purchase
Percentage of shares bought (+) or sold (-) in the relevant year	ČMSS 45%
Total share percentage at the end of the relevant year	100%
For business unit/segment	Czech Republic
Deal date (month and year)	May 2019
Incorporation of the result of the company in the result of the group as of:	01-06-2019
Purchase price or sale price	240
Cashflow for acquiring or selling companies less cash and cash equivalents acquire	439
Recognised amounts of identifiable assets acquired and liabilities assumed - provisional fair value at 31 May 2019	
Cash and cash balances with central banks	729
Financial assets	4 959
Amortised cost	4 855
Fair value through OCI	103
Hedging derivatives	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	15
Tax assets	4
Property and equipment	20
Goodwill and other intangible assets	42
Other assets	7
of which: cash and cash equivalents (included in the assets above)	*729*
Financial liabilities	5 384
Measured at amortised cost	5 362
Hedging derivatives	22
Tax liabilities	10
Provisions for risks and charges	1
Other liabilities	33
of which: cash and cash equivalents (included in the liabilities above)	*50*

(in millions of EUR)	2Q 2019
Net interest income	7
Interest income	*14*
Interest expense	*- 7*
Dividend income	0
Net result from financial instruments at fair value through profit or loss	0
Net realised result from debt instruments at fair value through OCI	0
Net fee and commission income	2
Fee and commission income	*3*
Fee and commission expense	*- 1*
Net other income	82
TOTAL INCOME	91
Operating expenses	- 5
Staff expenses	*- 2*
General administrative expenses	*- 1*
Depreciation and amortisation of fixed assets	*- 1*
Impairment	- 1
on financial assets at AC and at FVOCI	*- 1*
Share in results of associated companies and joint ventures	4
RESULT BEFORE TAX	90
Income tax expense	- 1
RESULT AFTER TAX	89
attributable to equity holders of the parent	89

In 2018 (both in 1Q 2018) :

- Legal merger between UBB and CIBANK (no consolidated impact).
- Acquisition of MetLife's 40% stake in UBB-MetLife Life Insurance Company AD, a life insurance joint venture between United Bulgarian Bank ("UBB") and MetLife ("UBB-MetLife"). Its financial impact is immaterial for KBC. Change of consolidation method from equity method to full consolidation.

Post-balance sheet events (note 6.8 in the annual accounts 2018)

Significant non-adjusting events between the balance sheet date (30 June 2019) and the publication of this report (8 August 2019):

The Board of Directors of KBC Group of 7 August 2019 has decided an interim dividend of 1 euro per share (416 million euros in total), payable on 15 November 2019.

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019 AND FOR THE SIX-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 June 2019 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the six-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 289.548 million and a consolidated profit (share of the Group) for the six-month period then ended of EUR 1.175 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 by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Sint-Stevens-Woluwe, 7 August 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 2Q 2019 and 1H 2019

Section not reviewed by the Auditor

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit and standby credit granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Information specifically on sovereign bonds can be found under 'How do we manage our risks (in the annual accounts 2018)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	30-06-2019	31-12-2018
Portfolio outstanding + undrawn [1]	214	205
Portfolio outstanding [1]	173	165
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	66%
Czech Republic	18%	16%
International Markets	15%	16%
Group Centre	2%	2%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	41.3%	39.9%
Finance and insurance	7.2%	7.4%
Authorities	3.4%	3.5%
Corporates	48.1%	49.2%
services	11.1%	11.2%
distribution	7.3%	7.5%
real estate	6.2%	6.6%
building & construction	4.0%	4.1%
agriculture, farming, fishing	2.7%	2.7%
automotive	2.5%	2.5%
food producers	1.7%	1.7%
electricity	1.6%	1.6%
metals	1.5%	1.6%
chemicals	1.2%	1.3%
machinery & heavy equipment	1.0%	1.1%
shipping	0.8%	0.9%
traders	0.7%	0.9%
hotels, bars & restaurants	0.7%	0.7%
electrotechnics	0.6%	0.6%
textile & apparel	0.6%	0.6%
oil, gas & other fuels	0.6%	0.6%
other [2]	3.1%	3.0%
Total outstanding loan portfolio geographical breakdown		
Home countries	86.4%	86.6%
Belgium	53.3%	55.0%
Czech Republic	17.4%	15.0%
Ireland	5.9%	6.5%
Slovakia	4.9%	5.0%
Hungary	3.1%	3.2%
Bulgaria	1.9%	2.0%
Rest of Western Europe	8.4%	7.9%
France	2.3%	2.0%
Netherlands	1.6%	1.7%
Great Britain	1.1%	1.1%
Spain	0.4%	0.5%
Luxemburg	0.9%	0.7%
Germany	0.7%	0.7%
other	1.3%	1.3%
Rest of Central Europe	0.4%	0.5%
Russia	0.1%	0.1%
other	0.3%	0.4%
North America	1.5%	1.4%
USA	1.1%	1.1%
Canada	0.4%	0.3%
Asia	1.6%	1.6%
China	1.0%	0.9%
Hong Kong	0.2%	0.2%
Singapore	0.1%	0.2%
other	0.3%	0.3%
Rest of the world	1.7%	1.9%

	30-06-2019	31-12-2018
Loan portfolio by IFRS-9 ECL stage (part of portfolio, as % of the portfolio of credit outstanding)		
Stage 1 (credit risk has not increased significantly since initial recognition)	85%	84%
of which: PD 1 - 4	61%	63%
of which: PD 5 - 9 including unrated	23%	21%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	12%	12%
of which: PD 1 - 4	4%	4%
of which: PD 5 - 9 including unrated	7%	8%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	4%	4%
of which: PD 10 impaired loans	2%	2%
of which: more than 90 days past due (PD 11+12)	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	6 437	7 151
of which: more than 90 days past due	3 633	4 099
Ratio of impaired loans, per business unit		
Belgium	2.3%	2.6%
Czech Republic	2.5%	2.4%
International Markets	9.8%	12.2%
Group Centre	12.0%	12.0%
Total	3.7%	4.3%
of which: more than 90 days past due	2.1%	2.5%
Stage 3 loan loss impairments (in millions of EUR) and Cover ratio (%)		
Stage 3 loan loss impairments	2 714	3 203
of which: more than 90 days past due	2 174	2 695
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	42%	45%
of which: more than 90 days past due	60%	66%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	51%	49%
of which: more than 90 days past due	71%	74%
Credit cost, by business unit (%)		
Belgium	0.20%	0.09%
Czech Republic	0.04%	0.03%
International Markets	-0.01%	-0.46%
Slovakia	0.27%	0.06%
Hungary	-0.13%	-0.18%
Bulgaria	0.15%	-0.31%
Ireland	-0.23%	-0.96%
Group Centre	-0.57%	-0.83%
Total	0.12%	-0.04%

[1] Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; the amounts are measured in Gross Carrying Amounts;
[2] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors
[3] Purchased or originated credit impaired assets

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2018 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Since 1Q18 a switch has been made in the reported 'outstanding' figures from drawn principal to the new IFRS 9 definition of gross carrying amount (GCA), i.e. including reserved and accrued interests. The additional inclusion of reserved interests led, among others, to an increase in the reported amount of impaired loans. Furthermore, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

As of June 2019, ČMSS is fully consolidated on the balance sheet, while previously according to the equity method. In view of this, the loan portfolio of ČMSS is also included in 30-06-2019 loan portfolio overview and amounts to 31 billion euros. The total loan portfolio of business unit Czech Republic excluding ČMSS is 26 billion euros.

Loan portfolio per business unit (banking activities)

Legend:

- ***ind. LTV - Indexed Loan To Value:*** *current outstanding loan / current value of property*
- ***Impaired loans:*** *loans for which full (re)payment is deemed unlikely (coincides with KBC's PD-classes 10, 11 or 12)*
- ***Impaired loans that are more than 90 days past due:*** *loans that are more than 90 days overdue and/or loans which have been terminated/cancelled or bankrupt obligors (coincides with KBC's PD-classes 11 and 12)*
- ***Stage 1+2 impairments: impairments for non-impaired exposure (i.e. exposure with PD < PD 10)***
- ***Stage 3 impairments: loan loss impairments for impaired exposure (i.e. exposure with PD 10, 11 or 12)***
- ***Cover ratio impaired loans:*** *stage 3 impairments / impaired loans*

Loan portfolio Business Unit Belgium
30-06-2019, in millions of EUR

	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**103 744**			**7 780**			**111 524**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	36 703	35.4%		7 780	100.0%		44 482	39.9%	
retail	67 042	64.6%		0	0.0%		67 042	60.1%	
o/w private	36 252	34.9%		0	0.0%		36 252	32.5%	
o/w companies	30 790	29.7%		0	0.0%		30 790	27.6%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	34 523	33.3%	57%	0	0.0%	-	34 523	31.0%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w ind. LTV > 100%	802	0.8%	-	0	0.0%	-	802	0.7%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	79 077	76.2%		4 500	57.8%		83 577	74.9%	
medium risk (PD 5-7; 0.80%-6.40%)	18 856	18.2%		2 887	37.1%		21 742	19.5%	
high risk (PD 8-9; 6.40%-100.00%)	3 005	2.9%		203	2.6%		3 207	2.9%	
impaired loans (PD 10 - 12)	2 427	2.3%		186	2.4%		2 613	2.3%	
unrated	380	0.4%		5	0.1%		385	0.3%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 427	994	40.9%	186	131	70.4%	2 613	1 125	43.0%
o/w PD 10 impaired loans	1 268	281	22.2%	94	61	65.0%	1 362	342	25.1%
o/w more than 90 days past due (PD 11+12)	1 159	712	61.5%	92	70	75.9%	1 251	782	62.5%
all impairments (stage 1+2+3)	n.a.			n.a.			1 328		
o/w stage 1+2 impairments (incl. POCI)	n.a.			n.a.			203		
o/w stage 3 impairments (incl. POCI)	994			131			1 125		
2018 Credit cost ratio (CCR)	0.10%			-0.05%			0.09%		
YTD 2019 CCR	0.21%			0.06%			0.20%		

Remarks

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

Loan portfolio Business Unit Czech Republic

30-06-2019, in millions of EUR

	Czech Republic			Of which: ČMSS (fully consolidated)		
Total portfolio outstanding	**30 997**			**4 640**		
Counterparty break down		% outst.			% outst.	
SME / corporate	8 021	25,9%		0	0,0%	
retail	22 976	74,1%		4 640	100,0%	
o/w private	18 024	58,1%		4 619	99,5%	
o/w companies	4 952	16,0%		22	0,5%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV
total	15 730	50,7%	61%	3 659	78,8%	60%
o/w FX mortgages	0	0,0%	-	0	0,0%	-
o/w ind. LTV > 100%	292	0,9%	-	64	1,4%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	17 623	56,9%		3 219	69,4%	
medium risk (PD 5-7; 0.80%-6.40%)	11 355	36,6%		1 009	21,7%	
high risk (PD 8-9; 6.40%-100.00%)	1 222	3,9%		227	4,9%	
impaired loans (PD 10 - 12)	775	2,5%		185	4,0%	
unrated	23	0,1%		0	0,0%	
Overall risk indicators [1]		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	775	369	47,5%	185	85	45,9%
o/w PD 10 impaired loans	303	67	22,0%	37	6	15,4%
o/w more than 90 days past due (PD 11+12)	472	302	63,9%	147	79	53,6%
all impairments (stage 1+2+3)	476			101		
o/w stage 1+2 impairments (incl. POCI)	108			16		
o/w stage 3 impairments (incl. POCI)	369			85		
2018 Credit cost ratio (CCR)	0,03%					
YTD 2019 CCR	0,04%					

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets
30-06-2019, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 004**			**8 039**			**5 311**			**3 389**			**26 744**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	85	0.9%		3 031	37.7%		3 268	61.5%		1 090	32.2%		7 473	27.9%	
retail	9 919	99.1%		5 009	62.3%		2 044	38.5%		2 299	67.8%		19 270	72.1%	
o/w private	9 905	99.0%		4 062	50.5%		1 875	35.3%		1 299	38.3%		17 141	64.1%	
o/w companies	14	0.1%		947	11.8%		168	3.2%		1 000	29.5%		2 129	8.0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV			
total	9 842	98.4%	69%	3 559	44.3%	66%	1 655	31.2%	66%	685	20.2%	64%	15 740	58.9%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	7	0.1%	102%	95	2.8%	61%	101	0.4%	
o/w ind. LTV > 100%	871	8.7%	-	28	0.3%	-	127	2.4%	-	27	0.8%	-	1 053	3.9%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	885	8.9%		4 854	60.4%		2 648	49.8%		936	27.6%		9 324	34.9%	
medium risk (PD 5-7; 0.80%-6.40%)	6 379	63.8%		2 443	30.4%		2 275	42.8%		1 745	51.5%		12 842	48.0%	
high risk (PD 8-9; 6.40%-100.00%)	854	8.5%		565	7.0%		203	3.8%		277	8.2%		1 899	7.1%	
impaired loans (PD 10 - 12)	1 885	18.8%		146	1.8%		185	3.5%		412	12.1%		2 629	9.8%	
unrated	0	0.0%		30	0.4%		1	0.0%		19	0.6%		50	0.2%	
Overall risk indicators [1]		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	1 885	473	25.1%	146	107	72.7%	185	99	53.6%	412	183	44.3%	2 629	861	32.7%
o/w PD 10 impaired loans	948	83	8.8%	21	10	47.2%	51	17	32.7%	66	8	12.7%	1 085	118	10.9%
o/w more than 90 days past due (PD 11+12)	938	389	41.5%	126	97	76.9%	134	82	61.5%	346	174	50.3%	1 544	742	48.1%
all impairments (stage 1+2+3)	501			162			119			208			991		
o/w stage 1+2 impairments (incl. POCI)	29			56			20			26			130		
o/w stage 3 impairments (incl. POCI)	473			107			99			183			861		
2018 Credit cost ratio (CCR)	-0.96%			0.06%			-0.18%			-0.31%			-0.46%		
YTD 2019 CCR	-0.23%			0.27%			-0.13%			0.15%			-0.01%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre 30-06-2019, in millions of EUR	Total Group Centre [1]		
Total portfolio outstanding	**3 511**		
Counterparty break down		% outst.	
SME / corporate	3 511	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	0	0.0%	-
o/w ind. LTV > 100%	0	0.0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 761	78.6%	
medium risk (PD 5-7; 0.80%-6.40%)	245	7.0%	
high risk (PD 8-9; 6.40%-100.00%)	84	2.4%	
impaired loans (PD 10 - 12)	421	12.0%	
unrated	0	0.0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	421	360	85.6%
o/w PD 10 impaired loans	55	12	22.4%
o/w more than 90 days past due (PD 11+12)	366	348	95.1%
all impairments (stage 1+2+3)	385		
o/w stage 1+2 impairments (incl. POCI)	25		
o/w stage 3 impairments (incl. POCI)	360		
2018 Credit cost ratio (CCR)	-0.83%		
YTD 2019 CCR	-0.57%		

Remarks

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

Solvency

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

Solvency KBC Group

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 92% of the weighted credit risks, of which approx. 88% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The minimum CET1 requirement that KBC is to uphold is set at 10.7% (fully loaded, Danish Compromise) which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% Systemic Buffer and 0.45% Countercycle Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

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

Overview of KBC Group's capital ratios
In millions of EUR

30/06/2019		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	15 031	96 389	15,6%
Deduction Method	Fully loaded	14 070	91 024	15,5%
Financial Conglomerates Directive	Fully loaded	15 818	109 184	14,5%

Danish Compromise

In millions of EUR	30-06-2019 Fully loaded	31-12-2018 Fully loaded
Total regulatory capital (after profit appropriation)	18 508	18 217
Tier-1 capital	16 531	16 150
Common equity	15 031	15 150
Parent shareholders' equity (after deconsolidating KBC Insurance)	16 389	16 992
Intangible fixed assets (incl deferred tax impact) (-)	- 650	- 584
Goodwill on consolidation (incl deferred tax impact) (-)	- 766	- 602
Minority interests	0	0
Hedging reserve (cash flow hedges) (-)	1 363	1 263
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 7	- 14
Value adjustment due to the requirements for prudent valuation (-)	- 77	- 63
Dividend payout (-)	- 416	- 1 040
Renumeration of AT1 instruments (-)	- 11	- 7
Deduction re. financing provided to shareholders (-)	- 66	- 91
Deduction re. Irrevocable payment commitments (-)	- 45	- 32
IRB provision shortfall (-)	- 118	- 100
Deferred tax assets on losses carried forward (-)	- 565	- 571
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	1 500	1 000
CRR compliant AT1 instruments (**)	1 500	1 000
Minority interests to be included in additional going concern capital	0	0
Tier 2 capital	1 976	2 067
IRB provision excess (+)	127	204
Subordinated liabilities	1 850	1 864
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier 2 capital	0	0
Total weighted risk volume	96 389	94 875
Banking	86 946	85 474
Insurance	9 133	9 133
Holding activities	311	302
Elimination of intercompany transactions	- 2	- 34
Solvency ratios		
Common equity ratio	15,59% (*)	15,97%
Tier-1 ratio	17,15%	17,02%
Total capital ratio	19,20%	19,20%

(*) no interim profit has been recognised for 1H19. When including 1H19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.9% at the end of 1H19.
(**) On February 26, 2019 KBC Group NV placed 500 million euros in non-dilutive, Additional Tier-1 securities. This AT1 instrument is a 5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.75% per annum, payable semi-annual.

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	30-06-2019	31-12-2018
Tier-1 capital (Danish compromise)	16 531	16 150
Total exposures	272 176	266 594
Total Assets	289 548	283 808
Deconsolidation KBC Insurance	-32 690	-31 375
Adjustment for derivatives	-3 694	-3 105
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 286	-2 043
Adjustment for securities financing transaction exposures	2 108	408
Off-balance sheet exposures	19 189	18 900
Leverage ratio	6,07%	6,06%

Solvency banking and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD IV. The solvency of KBC Insurance is calculated on the basis of Solvency II rules as they became effective on 1 January 2016.
The tables below show the tier-1 and CAD ratios calculated under Basel III (CRD IV/CRR) for KBC Bank, as well as the solvency ratio of KBC Insurance under Solvency II.

KBC Bank consolidated - CRDIV/CRR (in millions of EUR)	30-06-2019 Fully loaded	31-12-2018 Fully loaded
Total regulatory capital, after profit appropriation	15 763	15 749
Tier-1 capital (*)	13 743	13 625
Of which common equity (**)	*12 243*	*12 618*
Tier-2 capital	2 020	2 124
Total weighted risks	86 946	85 474
Credit risk	72 617	71 224
Market risk	3 023	3 198
Operational risk	11 306	11 051
Solvency ratios		
Common equity ratio	14,1%	14,8%
Tier-1 ratio	15,8%	15,9%
CAD ratio	18,1%	18,4%

(*) On February 26, 2019 KBC Group NV placed 500 million euros in non-dilutive, Additional Tier-1 securities. This AT1 instrument is a 5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.75% per annum, payable semi-annual
(**) no interim profit has been recognised for 1H19.

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-06-2019	31-12-2018
Own Funds	3 522	3 590
Tier 1	3 021	3 090
IFRS Parent shareholders equity	3 345	2 728
Dividend payout	- 239	- 132
Deduction intangible assets and goodwill (after tax)	- 125	- 124
Valuation differences (after tax)	- 71	341
Volatility adjustment	153	313
Other	- 42	- 35
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 754	1 651
Market risk	1 480	1 379
Non-life	561	557
Life	643	666
Health	200	190
Counterparty	137	111
Diversification	- 944	- 922
Other	- 324	- 331
Solvency II ratio	201%	217%

Minimum requirement for own funds and eligible liabilities (MREL)

Besides the ECB and NBB, which supervise KBC on a going concern basis, KBC is also subject to requirements set by the Single Resolution Board (SRB). The SRB is developing resolution plans for the major banks in the euro area. The resolution plan for KBC is based on a Single Point of Entry (SPE) approach at the level of KBC Group with 'bail-in' as the primary resolution tool. MREL measures the amount of own funds and eligible liabilities that can be credibly and feasibly bailed-in.

After the first half of 2019, the MREL ratio based on instruments issued by KBC Group NV ('HoldCo MREL') stands at 9.7% of TLOF. Based on the broader SRB definition including also eligible OpCo instruments, the MREL ratio amounts to 10.1% as % of TLOF. The latter is above the SRB requirement for KBC to achieve 9.76% as % of TLOF by 01-05-2019 using both HoldCo and eligible OpCo instruments.

Income statement, volumes and ratios per business unit

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

Business Unit Belgium						
(in millions of EUR)	**2Q 2019**	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	621	625	2 576	647	637	642
Non-life insurance before reinsurance	111	94	527	142	139	144
Earned premiums Non-life	275	270	1 070	275	271	265
Technical charges Non-life	-165	-175	-543	-133	-133	-121
Life insurance before reinsurance	-24	-25	-110	-29	-32	-22
Earned premiums Life	233	268	998	309	204	234
Technical charges Life	-256	-293	-1 108	-338	-235	-257
Ceded reinsurance result	4	8	-26	-11	-3	-8
Dividend income	38	11	74	12	11	29
Net result from financial instruments at fair value through profit or loss	43	54	101	-40	53	54
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	293	286	1 182	273	289	302
Net other income	50	45	225	73	44	49
TOTAL INCOME	1 135	1 099	4 549	1 068	1 139	1 189
Operating expenses	-575	-807	-2 484	-541	-559	-562
Impairment	-31	-83	-93	-49	-4	-26
On financial assets at amortised cost and at FV through OCI	-30	-82	-91	-48	-3	-26
On other	-1	-1	-2	-1	-1	0
Share in results of associated companies and joint ventures	-2	-1	-8	-1	-3	-4
RESULT BEFORE TAX	526	208	1 963	478	573	597
Income tax expense	-138	-32	-513	-117	-164	-159
RESULT AFTER TAX	388	176	1 450	361	409	437
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**388**	**176**	**1 450**	**361**	**409**	**437**
Banking	289	102	1 071	279	325	302
Insurance	99	74	379	82	84	135
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period) (*)	101 125	100 686	99 650	99 650	98 978	98 258
of which Mortgage loans (end of period)	35 674	35 234	35 049	35 049	34 775	34 627
Customer deposits and debt certificates excl. repos (end of period) (*)	128 544	134 382	131 442	131 442	131 862	131 013
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	13 144	13 141	13 176	13 176	13 336	13 382
Unit-Linked (end of period)	13 201	13 156	12 774	12 774	13 272	13 269
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	48 959	49 403	48 120	48 120	47 207	46 848
Required capital, insurance (end of period)	1 508	1 506	1 421	1 421	1 567	1 560
Allocated capital (end of period)	6 747	6 792	6 522	6 522	6 571	6 526
Return on allocated capital (ROAC)	23%	11%	22%	22%	25%	27%
Cost/income ratio, banking	54%	78%	58%	53%	51%	51%
Combined ratio, non-life insurance	91%	93%	87%	86%	86%	83%
Net interest margin, banking	1,67%	1,71%	1,72%	1,72%	1,69%	1,72%

(*) a reassessment in 2Q 2019 of the accounting treatment of recourse factoring business in business unit Belgium led to the netting and hence decrease of 0.8 billion euros of loans and deposits

Business Unit Czech Republic (in millions of EUR)	**2Q 2019**	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	308	302	1 043	291	263	241
Non-life insurance before reinsurance	27	29	103	26	27	24
Earned premiums Non-life	70	66	248	64	65	62
Technical charges Non-life	-42	-37	-145	-38	-38	-38
Life insurance before reinsurance	15	14	58	14	14	15
Earned premiums Life	61	56	260	79	63	58
Technical charges Life	-46	-42	-202	-64	-49	-43
Ceded reinsurance result	-2	-3	-8	-3	0	-2
Dividend income	0	0	1	0	0	0
Net result from financial instruments at fair value through profit or loss	-34	-3	72	4	20	8
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	67	58	257	64	62	64
Net other income	84	13	14	4	3	3
TOTAL INCOME	465	410	1 540	400	388	353
Operating expenses	-179	-204	-729	-187	-180	-173
Impairment	-7	1	-42	-10	-16	-9
On financial assets at amortised cost and at FV through OCI	-4	2	-8	0	-12	4
On other	-3	0	-34	-10	-4	-13
Share in results of associated companies and joint ventures	4	4	19	3	4	6
RESULT BEFORE TAX	283	212	788	207	196	177
Income tax expense	-35	-35	-134	-37	-29	-33
RESULT AFTER TAX	248	177	654	170	168	145
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**248**	**177**	**654**	**170**	**168**	**145**
Banking	237	164	619	164	157	137
Insurance	11	13	35	6	10	7
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	28 711	23 685	23 387	23 387	23 305	22 751
of which Mortgage loans (end of period)	15 267	11 375	11 317	11 317	11 128	10 784
Customer deposits and debt certificates excl. repos (end of period)	38 536	32 210	32 394	32 394	32 063	30 868
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	621	613	613	613	611	603
Unit-Linked (end of period)	698	689	660	660	641	623
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	14 670	14 334	14 457	14 457	15 023	14 717
Required capital, insurance (end of period)	124	125	115	115	129	122
Allocated capital (end of period)	1 694	1 659	1 647	1 647	1 721	1 682
Return on allocated capital (ROAC)	60%	43%	39%	40%	39%	34%
Cost/income ratio, banking	38%	50%	47%	45%	46%	48%
Combined ratio, non-life insurance	96%	93%	97%	101%	96%	99%
Net interest margin, banking (*)	3,18%	3,25%	3,07%	3,25%	3,04%	2,97%

(*) NIM excluding ČMSS. Note that the NIM of ČMSS amounted to 1,75% in 2Q 2019.

Business Unit International Markets

(in millions of EUR)	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	214	213	896	222	226	222
Non-life insurance before reinsurance	35	35	117	29	31	31
Earned premiums Non-life	78	77	254	68	66	62
Technical charges Non-life	-43	-42	-137	-39	-35	-31
Life insurance before reinsurance	10	9	34	12	7	9
Earned premiums Life	23	27	101	27	25	24
Technical charges Life	-14	-18	-67	-15	-18	-15
Ceded reinsurance result	-3	-2	-11	-2	-2	-5
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	10	10	74	8	24	24
Net realised result from debt instr FV through OCI	0	1	0	0	-1	0
Net fee and commission income	77	68	284	69	74	73
Net other income	-2	3	17	-1	2	8
TOTAL INCOME	340	336	1 412	338	361	364
Operating expenses	-212	-260	-909	-233	-214	-209
Impairment	-7	7	118	6	18	33
On financial assets at amortised cost and at FV through OCI	-6	8	127	8	19	39
On other	-1	0	-9	-2	-2	-6
Share in results of associated companies and joint ventures	1	1	5	1	1	1
RESULT BEFORE TAX	122	85	626	111	165	189
Income tax expense	-18	-15	-93	-19	-24	-26
RESULT AFTER TAX	104	70	533	93	141	163
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**104**	**70**	**533**	**93**	**141**	**163**
Banking	91	56	496	86	130	153
Insurance	13	14	37	7	11	10
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	24 333	24 146	24 015	24 015	23 728	24 336
of which Mortgage loans (end of period)	15 178	14 955	14 471	14 471	15 052	15 616
Customer deposits and debt certificates excl. repos (end of period)	22 970	23 063	22 897	22 897	22 408	22 693
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	262	261	257	257	255	247
Unit-Linked (end of period)	420	417	403	403	407	402
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	21 019	21 004	20 536	20 536	19 893	19 402
Required capital, insurance (end of period)	117	114	108	108	101	98
Allocated capital (end of period)	2 366	2 361	2 285	2 285	2 210	2 155
Return on allocated capital (ROAC)	18%	12%	24%	17%	26%	30%
Cost/income ratio, banking	64%	80%	65%	69%	60%	58%
Combined ratio, non-life insurance	88%	84%	90%	95%	89%	90%
Net interest margin, banking	2,65%	2,69%	2,80%	2,74%	2,79%	2,81%

Hungary

(in millions of EUR)	**2Q 2019**	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	64	62	243	62	60	60
Non-life insurance before reinsurance	12	12	42	11	10	10
Earned premiums Non-life	35	37	109	28	28	27
Technical charges Non-life	-24	-26	-67	-17	-17	-17
Life insurance before reinsurance	2	2	10	4	2	3
Earned premiums Life	4	4	17	4	4	4
Technical charges Life	-2	-3	-6	0	-2	-1
Ceded reinsurance result	0	-1	-3	-1	-1	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	8	10	60	11	16	20
Net realised result from debt instr FV through OCI	0	0	-1	0	-1	0
Net fee and commission income	55	48	197	50	50	51
Net other income	0	1	15	1	1	6
TOTAL INCOME	142	133	565	138	138	150
Operating expenses	-81	-102	-345	-83	-80	-80
Impairment	3	0	9	1	0	2
On financial assets at amortised cost and at FV through OCI	3	0	9	1	1	2
On other	0	0	-1	0	-1	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	64	31	228	57	59	71
Income tax expense	-9	-6	-32	-8	-8	-10
RESULT AFTER TAX	55	25	196	49	51	62
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**55**	**25**	**196**	**49**	**51**	**62**
Banking	50	21	182	45	48	58
Insurance	4	4	14	4	3	4
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (1) (end of period)	4 527	4 395	4 373	4 373	4 287	4 112
of which Mortgage loans (end of period)	1 602	1 581	1 260	1 260	1 531	1 481
Customer deposits and debt certificates excl. repos (end of period)	7 388	7 484	7 503	7 503	7 019	6 972
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	55	55	55	55	53	54
Unit-Linked (end of period)	285	284	277	277	278	269
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 320	6 826	6 693	6 693	6 219	5 938
Required capital, insurance (end of period)	43	43	41	41	39	35
Allocated capital (end of period)	719	773	751	751	699	665
Return on allocated capital (ROAC)	29%	13%	28%	29%	31%	37%
Cost/income ratio, banking	58%	79%	62%	60%	57%	53%
Combined ratio, non-life insurance	90%	89%	90%	92%	95%	93%

Slovakia (in millions of EUR)	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	50	52	211	53	54	52
Non-life insurance before reinsurance	7	7	25	7	6	6
Earned premiums Non-life	12	11	41	11	11	10
Technical charges Non-life	-4	-4	-16	-4	-4	-3
Life insurance before reinsurance	3	3	13	4	3	3
Earned premiums Life	10	11	53	13	13	13
Technical charges Life	-7	-8	-40	-9	-10	-10
Ceded reinsurance result	-1	0	-2	-1	-1	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-2	0	6	0	3	0
Net realised result from debt instr FV through OCI	0	1	0	0	0	0
Net fee and commission income	16	15	59	15	16	15
Net other income	1	2	4	-1	1	2
TOTAL INCOME	75	80	316	76	84	78
Operating expenses	-51	-55	-205	-54	-50	-50
Impairment	-8	-3	-4	-5	1	-4
On financial assets at amortised cost and at FV through OCI	-8	-3	-4	-5	1	-4
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	15	23	107	18	35	24
Income tax expense	-4	-5	-25	-5	-8	-6
RESULT AFTER TAX	11	18	82	13	27	19
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**11**	18	82	13	27	19
Banking	8	15	73	12	24	16
Insurance	3	3	9	2	3	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	7 316	7 177	7 107	7 107	6 979	6 861
of which Mortgage loans (end of period)	3 482	3 381	3 248	3 248	3 193	3 123
Customer deposits and debt certificates excl. repos (end of period)	6 236	6 270	6 348	6 348	6 333	6 205
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	115	114	114	114	115	114
Unit-Linked (end of period)	104	106	104	104	107	116
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 960	5 121	5 056	5 056	5 048	4 922
Required capital, insurance (end of period)	26	24	23	23	24	25
Allocated capital (end of period)	557	572	559	559	559	546
Return on allocated capital (ROAC)	8%	13%	15%	10%	19%	14%
Cost/income ratio, banking	71%	70%	65%	70%	60%	64%
Combined ratio, non-life insurance	81%	82%	87%	92%	87%	82%

Bulgaria (in millions of EUR)	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	35	35	151	37	38	37
Non-life insurance before reinsurance	16	16	50	11	14	15
Earned premiums Non-life	31	29	104	29	27	25
Technical charges Non-life	-15	-12	-54	-18	-13	-11
Life insurance before reinsurance	4	4	12	5	2	3
Earned premiums Life	9	11	32	11	8	7
Technical charges Life	-5	-7	-20	-6	-6	-4
Ceded reinsurance result	-2	-2	-6	-1	-1	-4
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	4	4	13	3	3	3
Net realised result from debt instr FV through OCI	0	0	1	0	0	0
Net fee and commission income	6	6	29	6	7	8
Net other income	0	0	-1	0	0	0
TOTAL INCOME	63	63	248	62	64	62
Operating expenses	-29	-47	-143	-35	-31	-31
Impairment	-1	-2	1	-6	1	-3
On financial assets at amortised cost and at FV through OCI	-1	-2	10	-4	2	3
On other	0	0	-9	-2	-1	-6
Share in results of associated companies and joint ventures	0	0	1	0	0	0
RESULT BEFORE TAX	33	15	107	21	34	29
Income tax expense	-3	-2	-11	-2	-3	-3
RESULT AFTER TAX	29	13	96	19	31	26
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**29**	13	96	19	**31**	**26**
Banking	24	7	86	18	26	23
Insurance	5	6	10	0	4	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	2 927	2 826	2 806	2 806	2 813	2 772
of which Mortgage loans (end of period)	659	645	642	642	1 094	1 102
Customer deposits and debt certificates excl. repos (end of period)	4 291	4 286	4 116	4 116	3 981	3 976
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	92	91	87	87	87	79
Unit-Linked (end of period)	31	27	22	22	22	17
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 554	3 237	2 991	2 991	3 081	3 045
Required capital, insurance (end of period)	48	47	44	44	38	38
Allocated capital (end of period)	428	393	361	361	365	361
Return on allocated capital (ROAC)	30%	14%	27%	21%	34%	29%
Cost/income ratio, banking	46%	81%	57%	52%	48%	48%
Combined ratio, non-life insurance	89%	82%	91%	99%	82%	88%

Ireland (in millions of EUR)	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	65	65	291	69	74	73
Non-life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Life	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	-3	-5	-6	1	1
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	-1	-1	-1	-1	0	0
Net other income	-4	0	-1	-1	0	0
TOTAL INCOME	61	60	284	61	75	74
Operating expenses	-51	-56	-216	-62	-53	-49
Impairment	0	12	111	15	15	38
On financial assets at amortised cost and at FV through OCI	0	12	112	15	15	39
On other	0	0	0	0	0	-1
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	10	16	180	15	36	63
Income tax expense	-1	-2	-24	-4	-5	-8
RESULT AFTER TAX	9	14	155	11	32	55
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**9**	14	155	11	32	55
Banking	9	14	155	11	32	55
Insurance	0	0	0	0	0	0
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	9 562	9 748	9 729	9 729	9 649	10 592
of which Mortgage loans (end of period)	9 435	9 348	9 320	9 320	9 235	9 910
Customer deposits and debt certificates excl. repos (end of period)	5 056	5 022	4 930	4 930	5 074	5 540
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 182	5 817	5 793	5 793	5 539	5 491
Allocated capital (end of period)	661	622	614	614	587	582
Return on allocated capital (ROAC)	5%	9%	26%	7%	21%	36%
Cost/income ratio, banking	84%	93%	76%	101%	71%	66%

Group centre - Breakdown net result

(in millions of EUR)	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Operational costs of the Group activities	-14	-18	-77	-28	-18	-15
Capital and treasury management	-7	-3	19	11	4	8
Holding of participations	21	-11	-10	-9	-4	3
Results companies in rundown	5	4	58	15	10	10
Other	-1	34	-57	8	-10	-59
Total net result for the Group centre	4	7	-67	-3	-17	-53

Group Centre

(in millions of EUR)	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018
Breakdown P&L						
Net interest income	-11	-11	29	6	10	11
Non-life insurance before reinsurance	2	3	12	2	1	4
Earned premiums Non-life	3	2	10	2	1	3
Technical charges Non-life	-1	1	2	0	0	0
Life insurance before reinsurance	0	0	-1	-1	1	0
Earned premiums Life	0	0	0	0	0	-1
Technical charges Life	0	0	0	-1	0	0
Ceded reinsurance result	2	-10	4	4	-1	1
Dividend income	1	1	7	2	1	4
Net result from financial instruments at fair value through profit or loss	-21	38	-17	29	-19	-31
Net realised result from debt instr FV through OCI	0	0	9	0	1	8
Net fee and commission income	-1	-2	-3	0	-1	-1
Net other income	2	-2	-30	-1	8	-37
TOTAL INCOME	-27	17	11	42	0	-43
Operating expenses	-21	-24	-112	-34	-28	-23
Impairment	5	6	35	10	4	4
On financial assets at amortised cost and at FV through OCI	5	6	35	10	4	4
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	-43	-2	-67	18	-24	-61
Income tax expense	47	9	0	-20	7	8
RESULT AFTER TAX	4	7	-67	-3	-17	-53
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	4	7	-67	-3	-17	-53
Of which banking	0	12	-8	10	-8	-18
Of which holding	3	-1	-67	-10	-12	-38
Of which insurance	1	-4	7	-2	3	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	0	0	0	0	0	0
of which Mortgage loans (end of period)	0	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	9 089	8 332	7 558	7 558	7 723	8 376
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 607	2 652	2 629	2 629	2 725	2 831
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	5	6	7	7	-25	-23
Allocated capital (end of period)	284	290	286	286	264	277

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

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

Calculation (in millions of EUR)	Reference	1H 2019	FY 2018	1H 2018
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 175	2 570	1 248
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 32	- 76	- 33
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	416,1	417,0	417,9
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		416,2	417,0	418,0
Basic = (A-B) / (C) (in EUR)		2,75	5,98	2,91
Diluted = (A-B) / (D) (in EUR)		2,74	5,98	2,91

Combined ratio (non-life insurance)

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	519	878	436
/				
Earned insurance premiums (B)	Note 3.7.1	828	1 553	756
+				
Operating expenses (C)	Note 3.7.1	269	505	256
/				
Written insurance premiums (D)	Note 3.7.1	931	1 597	858
= (A/B)+(C/D)		91,6%	88,2%	87,6%

Common equity ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'				
Fully loaded		15,6%	16,0%	15,8%

No interim profit has been recognised for 1H19. When including 1H19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.9% at the end of 1H19.

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Cost/income ratio				
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	2 036	3 714	2 001
/				
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	3 255	6 459	3 233
=(A) / (B)		62,6%	57,5%	61,9%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. The adjustments include: MTM ALM derivatives (fully excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 59% in 1H 2019 (versus 57% in FY 2018 and 56% in 1H 2018).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 714	3 203	4 403
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 437	7 151	9 175
= (A) / (B)		42,2%	44,8%	48,0%

As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests and moreover the transaction scope of the loan portfolio has been extended.

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	1H 2019	FY 2018	1H 2018
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	102	- 59	- 82
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	168 800	163 393	164 455
= (A) (annualised) / (B)		0,12%	-0,04%	-0,10%

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 definition of 'non-performing' used by the European Banking Authority.

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 437	7 151	9 175
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	172 776	164 824	166 949
= (A) / (B)		3,7%	4,3%	5,5%

As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests. In addition, the transaction scope of the loan portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	16 531	16 150	17 115
/				
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	272 176	266 594	284 108
= (A) / (B)		6,1%	6,1%	6,0%

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	78 050	79 300	81 089
/				
Total net cash outflows over the next 30 calendar days (B)		55 800	57 200	58 398
= (A) / (B)		140%	139%	139%

From year-end 2017 actuals, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.

Loan Portfolio

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

Berekening (in miljoenen euro of %)	Reference	1H 2019	FY 2018	1H 2018
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	154 169	147 052	145 346
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	1 675	538	2 562
+				
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	5 563	5 750	5 033
+				
Other exposures to credit institutions (D)		4 670	4 603	4 839
+				
Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees given'	8 066	8 302	8 200
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	3 047	3 534	4 623
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 314	- 2 296	- 2 118
+				
Non-loan-related receivables (H)		- 743	- 517	- 710
+				
Other (I)	Component of Note 4.1	- 1 356	- 2 142	- 825
= (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		172 776	164 824	166 949

As of 1Q18 a switch has been made in the risk reporting figures from 'outstanding' to the new definition of 'gross carrying amount', i.e. including reserved and accrued interests. In addition, the transaction scope of the loan portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	1 889	3 813	1 893
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	191 578	187 703	187 526
= (A) (annualised x360/number of calendar days) / (B)		1,96%	2,00%	2,01%

From 1Q 2018 the definition of NIM has been updated, it concerns banking group NII excluding dealing room and the net positive impact of ALM FX swaps & repos.

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	174 250	165 650	164 300
/				
Required amount of stable funding (B)		130 850	122 150	120 750
= (A) / (B)		133,2%	135,6%	136,1%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Parent shareholders' equity (A)	'Consolidated balance sheet'	17 799	17 233	16 616
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416,1	416,1	416,2
= (A) / (B) (in EUR)		42,77	41,42	39,93

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

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	564	1 450	680
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under		6 703	6 496	6 462
= (A) annualised / (B)		16,8%	22,3%	21,0%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	425	654	316
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under		1 671	1 696	1 704
= (A) annualised / (B)		51,0%	38,5%	36,9%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	175	533	299
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under		2 344	2 204	2 175
= (A) annualised / (B)		14,9%	24,2%	27,5%

Return on equity

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

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	1 175	2 570	1 248
-				
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	'Consolidated statement of changes in equity'	- 32	- 76	- 33
/				
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI instruments and for FVPL equity instruments – overlay approach (C)	'Consolidated statement of changes in equity'	16 459	15 935	15 490
= (A-B) (annualised) / (C)		13,9%	15,6%	15,7%

The return on equity in 1H 2019 including evenly spread of the bank tax throughout the year is 15.4%.

Sales Life (insurance)

Gives the indication of the sales activities of life insurance products including unit-linked.

Calculation (in millions of EUR or %)	Reference	1H 2019	FY 2018	1H 2018
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	668	1 359	651
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	0	0
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	307	457	273
Total sales Life (A)+ (B) + (C)		975	1 817	924

Solvency ratio (insurance)

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

Calculation	1H 2019	FY 2018	1H 2018
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	201%	217%	219%

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 or quantity)	Reference	1H 2019	FY 2018	1H 2018
Belgium Business Unit (A)	Company presentation on www.kbc.com	194,6	186,4	200,3
+				
Czech Republic Business Unit (B)		10,6	9,5	9,6
+				
International Markets Business Unit (C)		4,7	4,4	4,3
A)+(B)+(C)		209,8	200,3	214,2