

## KBC GROUP NV BASE PROSPECTUS SUPPLEMENT (N°4) DATED 16 May 2017



**KBC Group NV**

*(incorporated with limited liability in Belgium)*

**EUR 10,000,000,000 (formerly EUR 5,000,000,000)**

**Euro Medium Term Note Programme**

This base prospectus supplement dated 16 May 2017 (the “**Supplement N°4**”) constitutes a supplement for the purposes of Article 16 of Directive n° 2003/71/EC (the “**Prospectus Directive**”) and Article 34 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, as amended from time to time (the “**Belgian Prospectus Law**”), implementing the Prospectus Directive. The Supplement N°4 is supplemental to, forms part of, and must be read in conjunction with the base prospectus dated 13 July 2016 as supplemented by the Supplement N°1 dated 30 August 2016 (the “**Supplement N°1**”), the Supplement N°2 dated 30 January 2017 and the Supplement N°3 dated 21 February 2017 (the “**Supplement N°3**”, and altogether with the Supplement N°1 and the Supplement N°2, the “**Base Prospectus**”), prepared in connection with the Euro Medium Term Note Programme (the “**Programme**”) established by KBC Group NV, incorporated as a limited liability company under the laws of Belgium, with registered office at Havenlaan 2, 1080 Brussels and registered with the Crossroads Bank of Enterprises VAT BE0403.227.515 (Brussels) (the “**Issuer**”). Terms defined in the Base Prospectus or in any document incorporated by reference in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement N°4.

This Supplement N°4 has been approved by the Financial Services and Markets Authority (the “**FSMA**”) on 16 May 2017, as competent authority under the Belgian Prospectus Law. This approval does not imply any appraisal of the appropriateness or the merits of any issue under the Programme, nor of the situation of the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement N°4. The Issuer confirms that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement N°4 is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **I. Increase of the Programme’s amount**

Originally the Programme established by KBC Group NV has been approved by the FSMA on 13 July 2016 for an amount equal to EUR 5,000,000,000.

On 9 May 2017, the KBC Group Executive Committee has approved increasing the maximum amount of the Programme from EUR 5,000,000,000 to EUR 10,000,000,000.

Due to this new information,

- (i) The title of the Programme and the first paragraph on page 1 of the Base Prospectus shall be deleted and replaced by the following:

***“KBC Group NV***

***(incorporated with limited liability in Belgium)***

***EUR 10,000,000,000***

***Euro Medium Term Note Programme***

*Under this EUR 10,000,000,000 Euro Medium Term Note Programme (the “Programme”), KBC Group NV (the “Issuer”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 10,000,000,000 (or its equivalent in any other currencies). Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein.”*

- (ii) The section “Size”, stated in the section “Overview of the Programme” on page 10 of the Base Prospectus shall be deleted and replaced by the following:

***“Size: Up to EUR 10,000,000,000 (or its equivalent in any other currencies) aggregate nominal amount of Notes outstanding at any one time pursuant to the Euro Medium Term Note Programme (the “Programme”)”***

- (iii) The title of the form of Final Terms on page 139 of the Base Prospectus shall be deleted and replaced by the following:

***“Final Terms dated [●]***

***KBC Group NV***

***Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]***

***under the EUR 10,000,000,000***

***Euro Medium Term Note Programme”***

In addition, as from the date of this Supplement N°4, any reference to an amount of EUR 5,000,000,000 or to an EUR 5,000,000,000 Euro Medium Term Note Programme, in the Base Prospectus, all agreement, decision, letter, act or any document related to the Programme, must be read as a reference to an amount of EUR 10,000,000,000 or to an EUR 10,000,000,000 Euro Medium Term Note Programme.

## II. New information

### 1. Introduction

On 31 March 2017, the Issuer published its annual financial results for the financial year ended 31 December 2016 together with the related statutory auditors' report in the document titled as "*Annual Report of KBC Group 2016*"<sup>1</sup>.

In order to ensure that the information contained in the Base Prospectus is up-to-date as required by the Prospectus Directive and the Belgian Prospectus Law, the aforementioned documents will be incorporated by reference in the Base Prospectus.

A copy of these documents, incorporated by reference in the Base Prospectus, can be obtained from the website of the Issuer ([www.kbc.com](http://www.kbc.com))<sup>2</sup> and from the website of Euronext Brussels ([www.euronext.com](http://www.euronext.com)).

On 11 May 2017, the Issuer also published its quarterly report for the first quarter of 2017 in the document "*KBC Group Quarterly Report 1Q2017*"<sup>3</sup> accompanied by a press release entitled "*KBC Group: Excellent first-quarter result of 630 million euros*"<sup>4</sup>. These documents are set out in Annex 2 (*KBC Group Quarterly Report 1Q2017*) and Annex 3 (*Press release - "KBC Group: Excellent first-quarter result of 630 million euros"*) of this Supplement N°4, and shall form part of the Base Prospectus.

### 2. Documents incorporated by reference

- (i) Due to this new information, limb (a) of the first paragraph of the section "*Documents incorporated by reference*" on page 6 of the Base Prospectus shall be deleted and replaced by the following:

*"(a) the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016, together, in each case, with the related auditors' report;"*

- (ii) The fourth paragraph of the section "*Documents incorporated by reference*" on pages 6 and 7 of the Base Prospectus shall be deleted and replaced by the following:

*"The table below sets out the relevant page references for the audited consolidated statements for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively, as set out in the Issuer's Annual Report. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus.*

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<sup>1</sup> [https://www.kbc.com/system/files/doc/investor-relations/Results/JVS\\_2016/JVS\\_2016\\_GRP\\_en.pdf](https://www.kbc.com/system/files/doc/investor-relations/Results/JVS_2016/JVS_2016_GRP_en.pdf)

<sup>2</sup> See links above

<sup>3</sup> [https://www.kbc.com/en/system/files/doc/investor-relations/Results/1Q2017/1Q2017\\_Quarterly\\_Report\\_en.pdf](https://www.kbc.com/en/system/files/doc/investor-relations/Results/1Q2017/1Q2017_Quarterly_Report_en.pdf)

<sup>4</sup> [https://www.kbc.com/system/files/doc/investor-relations/Results/1Q2017/1Q2017\\_pb\\_20170511\\_en.pdf](https://www.kbc.com/system/files/doc/investor-relations/Results/1Q2017/1Q2017_pb_20170511_en.pdf)

***Audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016\****

	<i>Issuer's Annual Report for the financial year ended 31 December 2014</i>	<i>Issuer's Annual Report for the financial year ended 31 December 2015</i>	<i>Issuer's Annual Report for the financial year ended 31 December 2016</i>
<i>Audited consolidated annual financial statements of the Issuer</i>			
<i>report of the board of directors</i>	<i>page 6-171</i>	<i>page 6-147</i>	<i>page 6-147</i>
<i>Consolidated balance sheet</i>	<i>page 178</i>	<i>page 154</i>	<i>page 150</i>
<i>Consolidated income statement</i>	<i>page 176</i>	<i>page 152</i>	<i>page 148</i>
<i>Consolidated cashflow statement</i>	<i>page 180-182</i>	<i>page 156-158</i>	<i>page 152-153</i>
<i>notes to the financial statements</i>	<i>page 182-251</i>	<i>page 158-221</i>	<i>page 154-209</i>
<i>Consolidated statement of changes in equity</i>	<i>page 179</i>	<i>page 155</i>	<i>page 151</i>
<i>Auditors' report</i>	<i>page 174-175</i>	<i>page 150-151</i>	<i>page 210-211</i>
<i>Additional information</i>			
<i>ratios used</i>	<i>Annex</i>	<i>Annex</i>	<i>Annex</i>

*\* Page references are to the English language PDF version of the relevant incorporated documents.*

### **3. Terms and Conditions of the Notes**

The first paragraph of the section 7 ("Taxation") on page 64 of the Base Prospectus shall be deemed to be deleted and replaced with the updated paragraph:

#### **"7. Taxation**

*All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties,*

*assessments or governmental charges of whatever nature (Taxes) imposed, levied, collected, withheld or assessed by or within the Kingdom of Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts on interests from the Notes (but not principal or any other amount) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:*

*(...)*

#### **4. Selected Financial Information**

The section “*Selected Financial Information*” on pages 122 to and including 126, shall be deemed to be deleted in its entirety and replaced with the updated section “*Selected Financial Information*” set out in Annex I to this Supplement N°4.

#### **5. General Information**

Paragraph (3) of the section *General Information* on page 148 of the Base Prospectus shall be deleted and replaced by the following paragraph:

*“(3) Other than as disclosed in this Base Prospectus, there has been:*

- (a) no significant change in the financial or trading position of the Issuer since 31 December 2016 and*
- (b) no material adverse change in the prospects of the Issuer since 31 December 2016.”*

Paragraph (8) of the section *General Information* on pages 148 and 149 of the Base Prospectus shall be deleted and replaced by the following paragraph:

*“(8) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:*

- (i) the constitutional documents of the Issuer;*
- (ii) the Agency Agreement;*
- (iii) the audited consolidated financial statements of the Issuer for each of the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016, in each case together with the auditors’ reports in connection therewith;*
- (iv) the unaudited consolidated financial statements of the Issuer for the half year ending 30 June 2016, together with the auditors’ report thereon;*
- (v) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity); and*

- (vi) a copy of the Base Prospectus together with any further or supplement prospectuses relating to the Programme.

*This Base Prospectus, the Final Terms for Notes that are listed and admitted to trading on Euronext Brussels' regulated market and each document incorporated by reference will be published on the website of Euronext Brussels (www.euronext.com). "*

### III. General

Save as disclosed in this Supplement N°4, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since 21 February 2017, the date of publication of the Supplement N°3.

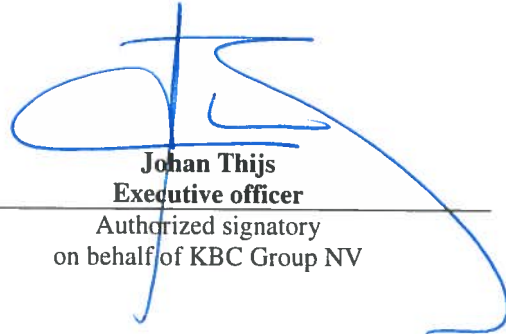
To the extent that there is an inconsistency between (a) any statement in this Supplement N°4 and (b) any statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Copies of this Supplement N°4 will be available without charge at the specified office of the Issuer and the Agent, on the website of Euronext Brussels (www.euronext.com) and the website of the Issuer (www.kbc.com)<sup>5</sup>.

16 May 2017



**Hendrik Scheerlinck**  
**Executive officer**  
Authorized signatory  
on behalf of KBC Group NV



**Johan Thijs**  
**Executive officer**  
Authorized signatory  
on behalf of KBC Group NV

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<sup>5</sup> [https://www.kbc.com/MISC/D9e01/Homepagina\\_KBCCOM\\_Engels/investor\\_relations/debt\\_issuance](https://www.kbc.com/MISC/D9e01/Homepagina_KBCCOM_Engels/investor_relations/debt_issuance)

## Annex 1 Selected Financial Information

*The following tables set out in summary form certain statements of financial position, income statements, statements of comprehensive income and cash flow information relating to the Issuer. The information has been extracted from the audited consolidated financial statements of the Issuer for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and from the unaudited consolidated financial statements according to IFRS included in the extended quarterly report 2Q 2016 of the Issuer.*

*The consolidated financial statements of the Issuer for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 have been audited in accordance with ISA.*

### Consolidated balance sheet

ASSETS (in millions of EUR)	31-12-2014	31-12-2015	31-12-2016
Cash and cash balances with central banks	5 771	7 038	20 148
Financial assets	231 421	237 346	246 836
Held for trading	12 182	10 385	9 683
Designated at fair value through profit or loss	18 163	16 514	14 185
Available for sale	32 390	35 670	36 708
Loans and receivables	135 784	141 305	152 152
Held to maturity	31 799	32 958	33 697
Hedging derivatives	1 104	514	410
Reinsurers' share in technical provisions	194	127	110
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	168	105	202
Tax assets	1 814	2 336	2 312
Current tax assets	88	107	66
Deferred tax assets	1 726	2 228	2 246
Non-current assets held for sale and assets associated with disposal groups	18	15	8
Investments in associated companies and joint ventures	204	207	212
Investment property	568	438	426
Property and equipment	2 278	2 299	2 451
Goodwill and other intangible assets	1 258	959	999
Other assets	1 480	1 487	1 496
<b>TOTAL ASSETS</b>	<b>245 174</b>	<b>252 356</b>	<b>275 200</b>

LIABILITIES AND EQUITY (in millions of EUR)	31-12-2014	31-12-2015	31-12-2016
Financial liabilities	205 644	213 333	234 300
Held for trading	8 449	8 334	8 559
Designated at fair value through profit or loss	23 908	24 426	16 553
Measured at amortised cost	169 796	178 383	207 485
Hedging derivatives	3 491	2 191	1 704
Technical provisions, before reinsurance	18 934	19 532	19 657
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	189	171	204
Tax liabilities	697	658	681

Current tax liabilities	98	109	188
Deferred tax liabilities	599	549	493
Liabilities associated with disposal groups	0	0	0
Provisions for risks and charges	560	310	238
Other liabilities	2 629	2 541	2 763
<b>TOTAL LIABILITIES</b>	<b>228 652</b>	<b>236 545</b>	<b>257 843</b>
Total equity	16 521	15 811	17 357
Parent shareholders' equity	13 125	14 411	15 957
Non-voting core-capital securities	2 000	0	0
Additional Tier-1 instruments included in equity	1 400	1 400	1 400
Minority interests	- 3	0	0
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>245 174</b>	<b>252 356</b>	<b>275 200</b>

### Consolidated Income Statement

In millions of EUR	2014	2015	2016	1H 2015	1H 2016
Net interest income	4 308	4 311	4 258	2 183	2 137
Interest income	7 893	7 150	6 642	3 654	3 375
Interest expense	-3 586	-2 839	-2 384	-1 471	-1 238
Non-life insurance before reinsurance	512	611	628	322	286
Earned premiums Non-life	1 266	1 319	1 410	646	690
Technical charges Non-life	-754	-708	-782	-324	-404
Life insurance before reinsurance	-216	-201	-152	-99	-73
Earned premiums Life	1 247	1 301	1 577	567	827
Technical charges Life	-1 463	-1 502	-1 728	-666	-901
Ceded reinsurance result	16	-29	-38	-18	-21
Dividend income	56	75	77	51	46
Net result from financial instruments at fair value through profit or loss	227	214	540	236	247
Net realised result from available-for-sale assets	150	190	189	116	155
Net fee and commission income	1 573	1 678	1 450	924	706
Fee and commission income	2 245	2 348	2 101	1 267	1 024
Fee and commission expense	-672	-670	-651	-343	-318
Net other income	94	297	258	154	98
<b>TOTAL INCOME</b>	<b>6 720</b>	<b>7 148</b>	<b>7 211</b>	<b>3 868</b>	<b>3 581</b>
Operating expenses	-3 818	-3 890	-3 948	-2 066	-2 090
Staff expenses	-2 248	-2 245	-2 252	-1 131	-1 111
General administrative expenses	-1 303	-1 392	-1 449	-811	-859
Depreciation and amortisation of fixed assets	-266	-253	-246	-125	-120
Impairment	-506	-747	-201	-226	-99
on loans and receivables	-587	-323	-126	-211	-54
on available-for-sale assets	-29	-45	-55	-9	-43
on goodwill	0	0	0	0	0
on other	109	-34	-20	-6	-2
Share in results of associated companies and joint ventures	25	24	27	14	13



RESULT BEFORE TAX	2 420	2 535	3 090	1 589	1 405
Income tax expense	-657	104	-662	-413	-292
Net post-tax result from discontinued operations	0	0	0	0	0
RESULT AFTER TAX	1 763	2 639	2 428	1 176	1 113
Attributable to minority interest	0	0	0	0	0
<i>of which relating to discontinued operations</i>	0	0	0	0	0
<b>Attributable to equity holders of the parent</b>	<b>1 762</b>	<b>2 639</b>	<b>2 427</b>	<b>1 176</b>	<b>1 113</b>
<i>of which relating to discontinued operations</i>	0	0	0	0	0
Earnings per share (in EUR)					
Basic	3.32	3.80	5.68	2.75	2.60
Diluted	3.32	3.80	5.68	2.75	2.60

### Consolidated cash flow statement

Note: for interim periods (1H 2015, 1H 2016), only a condensed cash flow table is available (consisting of the main totals and sub-totals)

In millions of EUR	2014	2015	2016	1H 2015	1H 2016
Operating activities					
Result before tax	2 420	2 535	3 090		
Adjustments for:	1 775	1 394	459		
Result before tax related to discontinued operations	0	0	0		
Depreciation, impairment and amortisation of property and equipment, intangible assets, investment property and securities	213	698	341		
Profit/Loss on the disposal of investments	-25	-24	-11		
Change in impairment on loans and advances	587	323	126		
Change in gross technical provisions - insurance	143	429	391		
Change in the reinsurers' share in the technical provisions	-48	69	17		
Change in other provisions	-37	-224	-7		
Other non realised gains or losses	967	147	-371		
Income from associated companies and joint ventures	-25	-24	-27		
Cashflows from operating profit before tax and before changes in operating assets and liabilities	4 195	3 927	3 548		
Changes in operating assets (excl. cash & cash equivalents)	-11 151	-2 897	-3 676		
Financial assets held for trading	-248	1 656	707		
Financial assets at fair value through profit or loss	-686	2 066	657		
Available for sale assets	-4 561	-3 324	-909		
Loans and receivables	-5 037	-3 866	-4 226		
Hedging derivatives	-325	590	104		
Operating assets associated with disposal groups & other assets	-294	-20	-9		
Changes in operating liabilities (excl. cash & cash equivalents)	11 913	10 032	18 611		
Deposits at amortised cost	12 076	9 464	15 044		

Debt certificates at amortised cost	3 218	255	11 728		
Financial liabilities held for trading	-4 682	172	175		
Financial liabilities designated at fair value through P&L	1 112	1 226	-7 355		
Liability-derivatives hedge accounting	522	-998	-867		
Operating liabilities associated with disposal groups & other liabilities	-333	-88	-114		
Income taxes paid	-407	-457	-470		
Net cash from (used in) operating activities	4 550	10 604	18 014	11 055	4 583
Investing activities					
Purchase of held-to-maturity securities	-1 929	-3 202	-2 365		
Proceeds from the repayment of held-to-maturity securities at maturity	1 012	2 029	1 683		
Acquisition of a subsidiary or a business unit, net of cash acquired (increase in participation interests included)	0	200	0		
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decrease in participation interests included)	559	0	0		
Purchase of shares in associated companies and joint ventures	0	0	0		
Proceeds from the disposal of shares in associated companies and joint ventures	0	0	0		
Dividends received from associated companies and joint ventures	-30	23	26		
Purchase of investment property	-19	-5	-35		
Proceeds from the sale of investment property	53	15	32		
Purchase of intangible fixed assets (excl. goodwill)	-153	-158	-158		
Proceeds from the sale of intangible fixed assets (excl. goodwill)	28	39	9		
Purchase of property and equipment	-441	-558	-713		
Proceeds from the sale of property and equipment	304	233	269		
Net cash from (used in) investing activities	-615	-1 385	-1 252	-1 128	345
Financing activities					
Purchase or sale of treasury shares	0	0	0		
Issue or repayment of promissory notes and other debt securities	-4 148	-537	-140		
Proceeds from or repayment of subordinated liabilities	-2 396	-277	-428		
Principal payments under finance lease obligations	0	0	0		
Proceeds from the issuance of share capital	19	17	16		
Proceeds from or repayment of non-voting core-capital securities	-500	-3 000	0		
Proceeds from the issuance or repayment of preference shares	1 042	0	0		
Dividends paid	-39	-1 058	-470		
Net cash from (used in) financing activities	-6 023	-4 855	-1 022	- 411	294
Change in cash and cash equivalents					
Net increase or decrease in cash and cash equivalents	-2 088	4 364	15 741	9 517	5 222
Cash and cash equivalents at the beginning of the period	8 691	6 518	10 987	6 518	10 987

Effects of exchange rate changes on opening cash and cash equivalents	-84	104	19	75	-32
Cash and cash equivalents at the end of the period	6 518	10 987	26 747	16 110	16 177
<b>Additional information</b>					
Interest paid	-3 586	-2 839	-2 384		
Interest received	7 893	7 150	6 642		
Dividends received (including equity method)	56	98	103		
<b>Components of cash and cash equivalents</b>					
Cash and cash balances with central banks	5 771	7 038	20 148		
Loans and advances to banks repayable on demand and term loans to banks < 3 months	4 287	6 541	11 622		
Deposits from banks repayable on demand and redeemable at notice	-3 539	-2 593	-5 023		
Cash and cash equivalents included in disposal groups	0	0	0		
Total	6 518	10 987	26 747		
Of which not available	0	0	0		

**Annex 2**  
**KBC Group Quarterly Report 1Q2017**

A woman with short blonde hair, wearing a dark, shiny leather jacket, is sitting at a desk in an office. She is holding a white smartphone to her ear and looking out a window. On the desk in front of her is a white laptop and a white coffee cup. The background is a blurred office interior with glass partitions and lights.

KBC Group  
Quarterly Report  
**1Q2017**

## Report for 1Q2017

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### ▶ 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.

### ▶ Investor Relations contact details

Investor.relations@kbc.com  
KBC Group NV, Investor Relations Office,  
Havenlaan 2, 1080 Brussels, Belgium

This report contains information that is subject to transparency regulations for listed companies. Date of release: 11 May 2017

# KBC Group

## Report for 1Q2017



## ► Summary: Excellent first-quarter result of 630 million euros

Against the background of highly accommodating monetary policy, persistently low interest rates and further improving economic growth, particularly in Central Europe and Ireland, KBC turned in another strong performance with a net profit of 630 million euros, well up on the 392 million euros in the first quarter of 2016. It was down on the 685 million euros recorded in the fourth quarter of 2016, since it was distorted by the booking of upfront banking taxes in the first quarter. Our lending and deposit volumes as well as our assets under management continued to grow in the first quarter 2017. In addition to the fine business performance, costs remained under control, overall loan loss impairment charges were extremely low and our solvency position remained strong. For Ireland, our guidance for loan impairment is for a release of 120-160 million euros for full year 2017.

### Financial highlights for the first quarter of 2017

- Both our banking and insurance franchises in our core markets and core activities continued to perform strongly.
- Quarter-on-quarter, lending to our clients increased by 1%, and deposits from our clients went up by 2%, with growth in both cases in almost all of our core countries.
- Net interest income – our main source of income – continued to be impacted by the climate of low reinvestment yields, and fell by some 3% in the quarter. Our net interest margin came to 1.88%, down 2 basis points quarter-on-quarter.
- Year-on-year, the premium income we earned on our non-life insurance products increased by 6% while claims fell 12%. Consequently, our non-life combined ratio for the first quarter of 2017 ended up at an exceptionally low 79%. Sales of our life insurance products decreased by 9% quarter-on-quarter.
- Our net fee and commission income went up sharply, rising by 17% quarter-on-quarter thanks mainly to our asset management services.
- Our other income items combined fell by 7% quarter-on-quarter; they included lower (but still high) trading and fair value income, higher gains realised on the sale of financial assets and lower other net income.
- Our operating expenses were impacted by most of the full-year bank taxes being booked in the first quarter (361 million euros). Excluding these taxes, expenses increased by 2% year-on-year. As a consequence, when the bank taxes are evenly spread throughout the year and some non-operational items excluded, our cost/income ratio for the first quarter of 2017 stood at a comfortable 52%.
- At 6 million euros, loan loss impairment remained extremely low in the quarter under review, thanks largely to impairment releases in Ireland. This brought our annualised cost of credit to a very low 0.02%. For Ireland, our guidance for loan impairment is for a release of 120-160 million euros for full year 2017.
- Income taxes stood at 85 million euros and benefited from a one-off deferred tax asset of 66 million euros related to the liquidation of a group company.
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.7% (fully loaded, Danish compromise).

### Johan Thijs, our group CEO, says...

*'We again performed very well in the quarter under review, notwithstanding the fact that the first quarter is traditionally impacted by the bulk of bank taxes for the full year being booked upfront. We are especially happy with the way our net fee and commission income has rebounded. This is evidence that we are succeeding in our ambition to diversify our income towards fee business such as asset management and insurance. This, together with the very low level of loan loss impairment and our continued focus on cost containment, has enabled us to post an excellent 630 million euros in net profit.*

*Clients borrowed more from us, and also increased their deposits and assets under management with us. All this is proof that our client-centric approach is clearly paying off. Moreover, our solvency position remained strong and comfortably surpassed the minimum capital requirements set by the regulators.*

*On the strategic front – and as already announced earlier this year – we have named Ireland as a core country, where we will focus on a 'Digital First' approach. In all of our other core markets too, we are continuing to pro-actively roll-out our financial technology plans so we can serve our clients even better going forward. Moreover, the recent appointment of a dedicated Group Chief Innovation Officer to our Executive Committee clearly reflects the importance we attach to digitalisation and innovation in our group.*

*However, we see digitalisation as a means rather than an end. We are in fact constantly looking at how we can adapt in order to respond to our clients' changing needs. Indeed, in our business model, client-centricity is and remains the main pillar around which we define our future actions as a sustainable bank-insurer'.*





Overview KBC Group (consolidated, IFRS)	1Q2017	4Q2016	1Q2016
Net result (in millions of EUR)	630	685	392
Basic earnings per share (in EUR)	1.47	1.61	0.91
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	301	439	209
Czech Republic	181	131	129
International Markets	114	139	60
Group Centre	33	-24	-6
Parent shareholders' equity per share (in EUR, end of period)	39.4	38.1	34.3

## ► The core of our strategy

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

Our strategy consists of four interacting cornerstones:

- We put our clients' interests at the heart of what we do and strive to offer them high quality service and relevant solutions at all times.
- We strive to offer our clients a unique bank-insurance experience.
- We develop our group with a long-term perspective in order to achieve sustainable and profitable growth.
- We take our responsibility towards society and local economies very seriously and aim to reflect that in our everyday activities.



client centricity



bank-insurance



sustainable  
profitable growth



role in society

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

## ► Highlights in the quarter under review

On the strategic front – and as already announced in February – we have named Ireland as a core market, alongside Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia. As a consequence, KBC Bank Ireland will strive to achieve a share of at least 10% in the retail and micro-SME market. Life and non-life insurance products will continue to be offered through partnerships. KBC Bank Ireland will accelerate its efforts and investments in expertise and resources to become a fully fledged, digital-first client-centric bank, while continuing to carefully and efficiently manage its legacy portfolio for maximum recovery. We plan to organise a KBC Group investor visit, which is scheduled to take place in Dublin on 21 June 2017.

As a group, we remain fully committed to our omnichannel approach, in which digitalisation and innovation are playing an ever increasing role. In order to keep on improving service to our clients, we are continuing to roll-out our financial technology plans in all of our core markets, leading to a continuous stream of new products and services (for instance, in Bulgaria, MasterCard and CIBANK have joined forces to launch the very first ATM to accept contactless cards and devices; in Ireland, KBC was among the first companies to make Apple Pay and Android Pay available to their clients, enabling them to use their phones to make contactless payments anywhere in the world; and in Belgium, we further expanded KBC Live, our regional contact centres, providing enhanced (video) chat capabilities and more staff, to reinforce our omnichannel approach).

On the operational level, we also reflected the importance we attach to innovation in the composition of our top management: our Executive Committee now includes a Chief Innovation Officer (Erik Luts) who will specifically manage KBC Group's innovation and digitalisation agenda.

We also welcomed Rik Scheerlinck as the new Group CFO. He succeeded Luc Popelier who became the CEO of the International Markets Business Unit, replacing Luc Gijsens who left the Executive Committee after a much-appreciated 40-year career with our group.

We view sustainability as an integral part of our strategy and our everyday business. We elaborate on our sustainability approach not only in our Annual Report, but also in our Report to Society, which we published at the end of March and in which we focus on how KBC assumes its responsibility towards the community. We will also shortly be publishing a dedicated sustainability report, in which we will provide detailed information on our non-financial performance.



#### Selection of awards and recognition since the start of the year

- ▶ KBC Group's corporate website [www.kbc.com](http://www.kbc.com) tops the Compend Webranking for Belgium
- ▶ Fitch Ratings upgrades KBC Bank's and KBC Group's long-term ratings from 'A-' to 'A'
- ▶ Euromoney magazine names ČSOB Private Banking 'Best Private Bank in the Czech Republic in 2017'
- ▶ KBC among the best workplaces in Belgium for 2017 (Great Place to Work ☺)
- ▶ KBC wins several awards from the Structured Retail Products magazine
- ▶ KBC receives award for 'Best Trade Finance Provider 2017' in Belgium, the Czech Republic, Slovakia and Hungary
- ▶ KBC Securities receives two awards from Euronext: 'Equity Finance House of the Year 2016' and 'Belgian SME Broker of the Year 2016'

## ► Overview of our results and balance sheet

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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q2017	4Q2016	3Q2016	2Q2016	1Q2016
Net interest income	1 025	1 057	1 064	1 070	1 067
Non-life insurance (before reinsurance)	187	178	164	141	145
<i>Earned premiums</i>	360	363	357	349	341
<i>Technical charges</i>	-173	-185	-193	-208	-196
Life insurance (before reinsurance)	-28	-44	-34	-38	-35
<i>Earned premiums</i>	312	413	336	402	426
<i>Technical charges</i>	-341	-457	-370	-440	-461
Ceded reinsurance result	-4	-15	-1	-13	-8
Dividend income	15	19	12	36	10
Net result from financial instruments at fair value through P&L	191	224	69	154	93
Net realised result from available-for-sale assets	45	8	26	128	27
Net fee and commission income	439	376	368	360	346
Other net income	77	101	59	47	51
<b>Total income</b>	<b>1 946</b>	<b>1 903</b>	<b>1 727</b>	<b>1 885</b>	<b>1 697</b>
Operating expenses	-1 229	-963	-895	-904	-1 186
Impairment	-8	-73	-28	-71	-28
on loans and receivables	-6	-54	-18	-50	-4
on available-for-sale assets	-1	-4	-7	-20	-24
on goodwill	0	0	0	0	0
other	0	-15	-3	-1	-1
Share in results of associated companies and joint ventures	5	5	9	6	7
<b>Result before tax</b>	<b>715</b>	<b>871</b>	<b>814</b>	<b>916</b>	<b>489</b>
Income tax expense	-85	-186	-184	-194	-97
Net post-tax result from discontinued operations	0	0	0	0	0
<b>Result after tax</b>	<b>630</b>	<b>685</b>	<b>629</b>	<b>721</b>	<b>392</b>
attributable to minority interests	0	0	0	0	0
<b>attributable to equity holders of the parent</b>	<b>630</b>	<b>685</b>	<b>629</b>	<b>721</b>	<b>392</b>
Basic earnings per share (EUR)	1.47	1.61	1.47	1.69	0.91
Diluted earnings per share (EUR)	1.47	1.61	1.47	1.69	0.91

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-03-2017	31-12-2016	30-09-2016	30-06-2016	31-03-2016
Total assets	287 293	275 200	266 016	265 681	261 551
Loans and advances to customers	135 304	133 231	131 973	131 383	129 703
Securities (equity and debt instruments)	72 329	73 262	72 774	73 494	72 860
Deposits from customers and debt certificates	181 722	177 730	170 425	175 870	173 646
Technical provisions, before reinsurance	19 234	19 657	19 745	19 724	19 619
Liabilities under investment contracts, insurance	13 128	12 653	12 506	12 427	12 508
Parent shareholders' equity	16 506	15 957	15 135	14 834	14 335

Selected ratios for the KBC group (consolidated)	1Q2017	FY2016
<b>Profitability and efficiency</b>		
Return on equity	17%	18%
Cost/income ratio, banking (between brackets when evenly spreading the bank taxes and excluding some non-operational items)	66% (52%)	55% (57%)
Combined ratio, non-life insurance	79%	93%
<b>Solvency</b>		
Common equity ratio according to Basel III Danish Compromise method (phased-in/fully loaded)	15.9%/15.7%	16.2%/15.8%
Common equity ratio according to FICOD method (fully loaded)	14.6%	14.5%
Leverage ratio according to Basel III (fully loaded)	5.7%	6.1%
<b>Credit risk</b>		
Credit cost ratio	0.02%	0.09%
Impaired loans ratio	6.8%	7.2%
for loans more than 90 days overdue	3.6%	3.9%
<b>Liquidity</b>		
Net stable funding ratio (NSFR)	130%	125%
Liquidity coverage ratio (LCR)	145%	139%

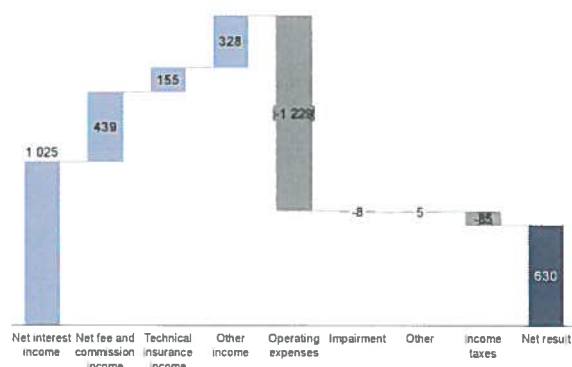
## ► Analysis of the quarter (1Q2017)

The net result for the quarter amounted to 630 million euros, compared to 685 million euros in the previous quarter and 392 million euros in the corresponding quarter a year earlier.

- Our total income was up 2% quarter-on-quarter, with increased net fee and commission income, higher realised gains and a higher contribution from the insurance activities being partly offset by a decrease in net interest income, trading and fair value income and other net income.

Our net interest income (1 025 million euros) was down 3% on its level in the previous quarter and 4% on its year-earlier level. This was due in part to low reinvestment yields, a lower contribution to interest income from the dealing room, lower prepayment fees on mortgage loan refinancing, continued loan margin pressure and –quarter-on-quarter – the lower number of days in the quarter. The impact of these items was partly offset by decreased funding costs, the further positive effect of enhanced ALM management and loan volume growth (see below). As a result, our net interest margin came to 1.88% for the quarter under review, down 2 and 8 basis points on the figure recorded in the previous and year-earlier quarters, respectively. As already mentioned, interest income continued to be driven by loan volume growth: our total lending volume rose by 1% quarter-on-quarter and by 4% year-on-year. Deposits increased by 2% quarter-on-quarter and by almost 10% year-on-year.

Breakdown of the 1Q2017 result



Technical income from our non-life and life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) stood at 155 million euros in the quarter under review. Our non-life insurance activities contributed 183 million euros to that technical insurance income, 12% more than in the previous quarter, thanks mainly to much lower claims and a better reinsurance result. Compared to a year ago, the non-life activities contributed as much as 34% more to the result, but the main part of this increase relates to the fact that claims in the first quarter of 2016 had been impacted by the Brussels attacks. As a result, our combined ratio for the quarter under review came to an excellent 79%, compared to 93% for full year 2016. The technical insurance income of our life insurance activities stood at -28 million euros, compared to -44 million euros in the previous quarter and -35 million euros in the year-earlier quarter. Compared to the relatively strong reference quarters, the aggregate sales of life insurance products fell by 9% quarter-on-quarter and by 19% year-on-year. The quarter-on-quarter drop was accounted for mainly by the Czech Republic (fewer sales of unit-linked life products), while the year-on-year decline was due to Belgium (primarily interest-guaranteed life products) and the Czech Republic (unit-linked products).

Our net fee and commission income improved sharply, going up by 17% quarter-on-quarter and by as much as 27% year-on-year, to 439 million euros. The improvement in both cases was almost entirely attributable to Belgium and was due essentially to the much higher contribution from asset management services, which generated an increase in both entry and management fees. At the end of March 2017, our total assets under management stood at 216 billion euros, up 1% quarter-on-quarter and 4% year-on-year, thanks mainly to the positive price performance in both periods.

All other income items amounted to an aggregate 328 million euros, compared to 352 million euros in the previous quarter and 181 million euros in the year-earlier quarter. The figures for the first quarter of 2017 include 45 million euros in gains realised on the sale of securities (two-thirds of which relating to shares), 15 million euros of dividend income and 77 million euros of other net income. It also includes a high net result of 191 million euros from financial instruments at fair value (trading and fair value income). This latter figure was down on the even higher 224 million euros in the previous quarter (as a further increase in our dealing room result could not fully offset the lower value of derivatives used for asset/liability management purposes), but up significantly on the 93 million euros in the year-earlier quarter (also owing to the solid performance of the dealing rooms combined with the positive impact of various valuation adjustments).

#### ► Disregarding bank taxes, costs fell 7% quarter-on-quarter, and rose just 2% year-on-year

At first sight, costs rose significantly on their level of the previous quarter (+28%), but this was due entirely to the fact that the first quarter of the year traditionally includes the upfront booking of the largest part of the bank tax for the full year (361 million euros in the first quarter of 2017, compared with 27 million euros in the fourth quarter of 2016 and 335 million euros in the first quarter of 2016).

Disregarding these bank taxes, costs were only slightly (2%) higher than in the year-earlier quarter and were even down 7% on the seasonally high figure for the last quarter of 2016 (which, besides higher marketing costs, professional fees and ICT costs, had also been impacted by one-off expenses for early retirement, among other things).

As a result, the cost/income ratio of our banking activities stood at 66% in the first quarter of 2017, compared to 55% for full year 2016. When the bank taxes are evenly spread throughout the year and some non-operational items are excluded, our cost/income ratio for the first quarter of 2017 came to a comfortable 52% (57% for full year 2016).

#### ► Extremely low level of overall loan loss impairment charges in the quarter under review

In the first quarter of 2017, we booked an extremely low 6 million euros in loan loss impairment charges, compared to 54 million euros in the previous quarter and a likewise extremely low 4 million euros a year earlier. The low figure for the quarter under review was due essentially to the combination of a net impairment release of 50 million euros in Ireland (thanks mainly to the increase in the 9-month average housing price index and a further improvement in the non-performing portfolio), a net addition of 59 million euros in Belgium (impacted by two large corporate loans), and just a minor impact from provisioning in all other countries (a net addition of 2 million euros in Slovakia and 1 million euros in Bulgaria, a net release of 1 million euros in the Czech Republic, 1 million euros in Hungary and 4 million euros in the Group Centre).

Consequently, annualised loan loss impairment for the entire group in the first quarter of 2017 accounted for a very low 0.02% of the total loan portfolio. At the end of March 2017, some 6.8% of our loan book was classified as impaired (3.6% was impaired and more than 90 days past due), a further improvement on the situation at the beginning of the year (7.2% and 3.9%, respectively).

Impairment on assets other than loans stood at 1 million euros, compared to 19 million in the fourth quarter of 2016 and 25 million euros in the first quarter of 2016.

#### ► Income tax expense

There was an income tax charge of 85 million euros in the first quarter of 2017, compared to 186 million euros in the previous quarter and 97 million euros in the year-earlier quarter. The quarter-on-quarter difference is accounted for by a number of factors, including the lower taxable base in the first quarter of 2017 and the fact that that quarter also benefited from a higher amount of deferred tax assets (including 66 million euros related to the liquidation of an Irish group company).

## ► Results per business unit (quarter-on-quarter)

Our quarterly profit of 630 million euros breaks down as follows:

### ► 301 million euros for the Belgium Business Unit

Excluding the effect of the special bank tax, the net result went up by 10% quarter-on-quarter, as higher net fee and commission income, increased technical insurance income, higher realised gains on the sale of financial assets and lower costs were only partially offset by a decrease in net interest income, in trading and fair value income and in other net income, combined with a somewhat higher level of loan loss impairment.

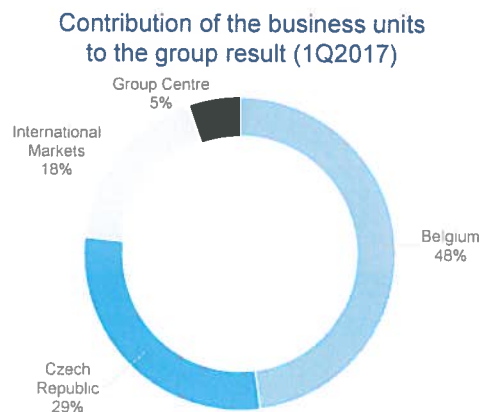
### ► 181 million euros for the Czech Republic Business Unit

Excluding the effect of the special bank tax, this represents an increase of 54% quarter-on-quarter, thanks essentially to higher trading and fair value income, higher realised gains on the sale of bonds, a positive one-off item in other net income, seasonally lower costs and a small net release of loan loss impairment, while net interest income managed to remain at its level of the previous quarter.

### ► 114 million euros for the International Markets Business Unit (22 million euros for Slovakia, 20 million euros for Hungary, 4 million euros for Bulgaria and 67 million euros for Ireland).

Excluding the effect of the special bank tax, this is an increase of 2% quarter-on-quarter for the business unit as a whole. The net result (excluding bank taxes) decreased in Ireland, where the positive effect of the higher level of loan loss impairment releases was less than the positive impact of the tax benefit (recognition of a deferred tax asset) in the previous quarter. The net result (excluding bank taxes) went up in Bulgaria, Slovakia (total income more or less stable, combined with lower costs and loan loss impairment) and in Hungary (stable total income and lower costs, combined with the positive effect of the lower income tax rate in 2017).

### ► 33 million euros for the Group Centre, 57 million euros more than in the previous quarter. The quarter under review included the booking of a deferred tax asset relating to the liquidation of IIB Finance Ireland (a positive impact of 66 million euros).



Selected ratios per business unit	Belgium		Czech Republic		International Markets	
	1Q2017	FY2016	1Q2017	FY2016	1Q2017	FY2016
Cost/income ratio, banking (between brackets when evenly spreading bank taxes and excl. some non-operational items)	67% (50%)	54% (55%)	43% (40%)	45% (46%)	72% (64%)	64% (66%)
Combined ratio, non-life insurance	77%	92%	100%	96%	85%	94%
Credit cost ratio*	0.24%	0.12%	-0.02%	0.11%	-0.75%	-0.16%

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

A full results table is provided in the 'Additional information' section of the quarterly report. A short analysis of the results per business unit is provided in the analyst presentation, available on [www.kbc.com](http://www.kbc.com).

## ► Strong fundamentals: equity, solvency and liquidity

At the end of March 2017, our total equity stood at 17.9 billion euros (16.5 billion euros in parent shareholders' equity and 1.4 billion euros in additional tier-1 instruments), up 0.5 billion euros on its level at the beginning of the year. The change during the first three months of the year resulted from the inclusion of the profit for that period (+0.6 billion euros), changes in the available-for-sale and cash flow hedge reserves (-0.1 billion euros combined) and a number of minor items.

At 31 March 2017, our fully loaded common equity ratio (Basel III, under the Danish compromise) stood at a strong 15.7%. It hence comfortably exceeds the regulators' target (10.40% by 2019, with additional pillar 2 guidance of 1.0%). Our leverage ratio (Basel III, fully loaded) came to 5.7%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 220% at 31 March 2017.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 145% and an NSFR ratio of 130% at the end of March 2017.

## ► Risk statement

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

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

On the macroeconomic front, the positive momentum of the global economy persisted into the first quarter of 2017. Particularly in the euro area, economic growth remained robust in the first quarter. The economic and financial environment is also improving in emerging markets. Commodity exporters are benefiting from increasing commodity prices. Higher global inflation was driven mainly by the rise in the energy component, while in the euro area, the persistently low level of core inflation caught the eye. During the first quarter, global long-term government bond yields on balance remained low, mainly as a result of doubts about the new US government's ability to pursue an expansionary fiscal policy, somewhat lower inflation expectations and the Fed's less hawkish communication after the March rate hike. Meanwhile, the intra-EMU sovereign yield spread initially widened, but eased again, while the euro strengthened against the US dollar.

Risk management data is provided in our annual reports, quarterly reports and dedicated risk reports, all of which are available at [www.kbc.com](http://www.kbc.com).

## ► Our views and guidance

**Our view on interest rates and foreign exchange rates:** we are working on the assumption that the euro area will 'survive' its election calendar of 2017/2018 and that intra-EMU spreads will eventually ease again to slightly below their current levels by the end of 2017. After December 2017, we expect the ECB to gradually phase out its QE programme and end it by mid-2018. The ECB will probably not raise its policy rate before the end of 2018. In the meantime, we expect another two rate increases by the Fed in 2017 and three more in 2018 (of 25 basis points each). As a result, we expect the US dollar to appreciate against the euro in 2017, as it will benefit from short-term interest rate support. Given the low inflation environment and still highly accommodating global monetary policies, we expect German and US long-term bond yields to rise only moderately in the period ahead.



**Our view on economic growth:** the economic environment in the euro area continues to improve. This is particularly true for Germany, the engine driving growth in the euro area. The consumer sector in the euro area remains solid, as confidence is still on an upward trend. Indeed, retail sales growth in the euro area remains firm. Moreover, labour market conditions continue to improve, which will further support consumption in the period ahead. The most significant risks still stem from political events, the real start of the Brexit negotiations after the UK general election on 8 June, and the trend of de-globalisation. These risks may add to uncertainty that could potentially spill over to the real economy in the form of more pessimistic sentiment and a postponement of investments.

**Our guidance on KBC's results for 2017:** we anticipate solid returns in all our business units. We view the current credit cost ratio as being very low. For Ireland, in particular, our guidance for loan impairment is for a release of 120-160 million euros for full year 2017.

KBC Group  
Consolidated  
financial statements  
according to IFRS  
1Q 2017



*Section reviewed by the Auditor*

## Consolidated income statement

(in millions of EUR)	Note	1Q 2017	4Q 2016	1Q 2016
Net interest income	3.1	1 025	1 057	1 067
Interest income	3.1	1 576	1 593	1 707
Interest expense	3.1	- 551	- 537	- 639
Non-life insurance before reinsurance	3.7	187	178	145
Earned premiums Non-life	3.7	360	363	341
Technical charges Non-life	3.7	- 173	- 185	- 196
Life insurance before reinsurance	3.7	- 28	- 44	- 35
Earned premiums Life	3.7	312	413	426
Technical charges Life	3.7	- 341	- 457	- 461
Ceded reinsurance result	3.7	- 4	- 15	- 8
Dividend income		15	19	10
Net result from financial instruments at fair value through profit or loss	3.3	191	224	93
Net realised result from available-for-sale assets	3.4	45	8	27
Net fee and commission income	3.5	439	376	346
Fee and commission income	3.5	620	552	507
Fee and commission expense	3.5	- 181	- 176	- 161
Net other income	3.6	77	101	51
<b>TOTAL INCOME</b>		<b>1 946</b>	<b>1 903</b>	<b>1 697</b>
Operating expenses	3.8	- 1 229	- 963	- 1 186
Staff expenses	3.8	- 565	- 581	- 556
General administrative expenses	3.8	- 601	- 318	- 570
Depreciation and amortisation of fixed assets	3.8	- 63	- 63	- 60
Impairment	3.10	- 8	- 73	- 28
on loans and receivables	3.10	- 6	- 54	- 4
on available-for-sale assets	3.10	- 1	- 4	- 24
on goodwill	3.10	0	0	0
on other	3.10	0	- 15	- 1
Share in results of associated companies and joint ventures		5	5	7
<b>RESULT BEFORE TAX</b>		<b>715</b>	<b>871</b>	<b>489</b>
Income tax expense	3.12	- 85	- 186	- 97
<b>RESULT AFTER TAX</b>		<b>630</b>	<b>685</b>	<b>392</b>
Attributable to minority interest		0	0	0
<b>Attributable to equity holders of the parent</b>		<b>630</b>	<b>685</b>	<b>392</b>
Earnings per share (in EUR)				
Basic		1,47	1,61	0,91
Diluted		1,47	1,61	0,91



## Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1Q 2017	4Q 2016	1Q 2016
RESULT AFTER TAX	630	685	392
attributable to minority interest	0	0	0
attributable to equity holders of the parent	630	685	392
Other comprehensive income - to be recycled to P&L	- 106	54	- 251
Net change in revaluation reserve (AFS assets) - Equity	37	85	- 106
Net change in revaluation reserve (AFS assets) - Bonds	- 214	- 375	198
Net change in revaluation reserve (AFS assets) - Other	0	0	0
Net change in hedging reserve (cash flow hedge)	79	305	- 331
Net change in translation differences	- 2	38	- 11
Net change related to associated companies & joint ventures	- 7	0	0
Other movements	0	0	- 1
Other comprehensive income - not to be recycled to P&L	38	80	- 204
Net change in defined benefit plans	41	80	- 204
Net change on own credit risk - liabilities designated at FV(T)PL	- 2	0	0
Net change related to associated companies & joint ventures	0	0	0
TOTAL COMPREHENSIVE INCOME	562	819	- 63
attributable to minority interest	0	0	0
attributable to equity holders of the parent	562	819	- 63

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

- Net change in revaluation reserve (AFS assets) – Equity: the +37 million euros in 1Q 2017 can be explained for a large part by positive stock exchange movements, while the -106 million euros in 1Q 2016 was affected by negative fair value movements.
- Net change in revaluation reserve (AFS assets) – Bonds: -214 million euros for 1Q 2017: mainly explained by an increase in long-term interest rates; +198 million euros for 1Q 2016: mainly caused by a decrease in long-term interest rates.
- Net change in hedging reserve (cash flow hedge): +79 million euros for 1Q 2017: mainly explained by an increase in long-term interest rates; -331 million euros for 1Q 2016: mainly caused by decreasing long-term interest rates.
- Net change in defined benefit plans: +41 million euro for 1Q 2017: due to an increase in interest rate; -204 million euro for 2016: due to a decrease in the interest rate at that time.

## Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-03-2017	31-12-2016
Cash, cash balances at central banks and other demand deposits		21 070	20 686
Financial assets	4.1 - 4.7	257 794	246 298
Held for trading	4.1 - 4.7	8 972	9 683
Designated at fair value through profit or loss	4.1 - 4.7	14 353	14 184
Available for sale	4.1 - 4.7	35 735	36 708
Loans and receivables	4.1 - 4.7	165 116	151 615
Held to maturity	4.1 - 4.7	33 148	33 697
Hedging derivatives	4.1 - 4.7	469	410
Reinsurers' share in technical provisions		127	110
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		116	202
Tax assets		2 366	2 312
Current tax assets		62	66
Deferred tax assets		2 303	2 246
Non-current assets held for sale and assets associated with disposal groups		24	8
Investments in associated companies and joint ventures		210	212
Investment property		425	426
Property and equipment		2 512	2 451
Goodwill and other intangible assets		1 008	999
Other assets		1 641	1 496
<b>TOTAL ASSETS</b>		<b>287 293</b>	<b>275 200</b>
LIABILITIES AND EQUITY (in millions of EUR)	Note	31-03-2017	31-12-2016
Financial liabilities	4.1 - 4.7	245 785	234 300
Held for trading	4.1 - 4.7	7 281	8 559
Designated at fair value through profit or loss	4.1 - 4.7	15 170	16 553
Measured at amortised cost	4.1 - 4.7	221 535	207 485
Hedging derivatives	4.1 - 4.7	1 798	1 704
Technical provisions, before reinsurance		19 234	19 657
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		150	204
Tax liabilities		698	681
Current tax liabilities		253	188
Deferred tax liabilities		445	493
Provisions for risks and charges		264	238
Other liabilities		3 256	2 763
<b>TOTAL LIABILITIES</b>		<b>269 388</b>	<b>257 843</b>
Total equity	5.10	17 906	17 357
Parent shareholders' equity	5.10	16 506	15 957
Additional Tier-1 instruments included in equity	5.10	1 400	1 400
Minority interests		0	0
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>287 293</b>	<b>275 200</b>

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

# Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations		Own credit risk (through OCI)	Retained earnings	Translation differences	Parent share holders' equity	Additional Tier-1 instruments included in equity	Minority interests	Total equity
						Share premium	Treasury shares							
<b>31-03-2017</b>														
Balance at the beginning of the period (01-01-2017)	1 455	5 453	0	1 756	- 1 347	- 138	- 4	8 751	31	- 15 957	1 400	0	17 357	
Net result for the period	0	0	0	0	0	0	0	630	0	0	0	0	630	
Other comprehensive income for the period	0	0	0	- 184	79	41	- 2	0	- 2	- 68	0	0	- 68	
Total comprehensive income	0	0	0	- 184	79	41	- 2	630	- 2	- 68	0	0	- 68	
Dividends	0	0	0	0	0	0	0	0	0	562	0	0	562	
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	- 13	0	0	0	0	0	
Change in minorities	0	0	0	0	0	0	0	0	0	- 13	0	0	- 13	
<b>Total change</b>	0	0	0	- 184	79	41	- 2	617	- 2	549	0	0	549	
Balance at the end of the period	1 455	5 453	0	1 572	- 1 268	- 97	- 7	9 368	29	- 16 506	1 400	0	17 906	
of which revaluation reserve for shares				527										
of which revaluation reserve for bonds				1 045										
of which relating to non-current assets held for sale and disposal groups				0				0	0	0	0	0	0	
of which relating to equity method				19				0	7	25	0	0	25	
<b>31-03-2016</b>														
Balance at the beginning of the period (01-01-2016)	1 454	5 437	0	1 782	- 1 146	94	0	6 779	11	- 14 411	1 400	0	15 811	
Net result for the period	0	0	0	0	0	0	0	392	0	392	0	0	392	
Other comprehensive income for the period	0	0	0	91	- 331	- 204	0	- 1	- 11	- 455	0	0	- 455	
Total comprehensive income	0	0	0	91	- 331	- 204	0	391	- 11	- 63	0	0	- 63	
Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	- 13	0	0	0	0	0	
Change in minorities	0	0	0	0	0	0	0	0	0	- 13	0	0	- 13	
<b>Total change</b>	0	0	0	91	- 331	- 204	0	378	- 11	- 76	0	0	- 76	
Balance at the end of the period	1 454	5 437	0	1 873	- 1 477	- 110	0	7 156	0	- 14 335	1 400	0	15 735	
of which revaluation reserve for shares				441										
of which revaluation reserve for bonds				1 432										
of which relating to non-current assets held for sale and disposal groups				0				0	- 3	- 3	0	0	- 3	
of which relating to equity method				21				0	7	28	0	0	28	

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

## Condensed consolidated cash flow statement

In millions of EUR	1Q 2017	1Q 2016
Cash and cash equivalents at the beginning of the period	26 747	10 987
Net cash from (used in) operating activities	9 163	4 191
Net cash from (used in) investing activities	533	340
Net cash from (used in) financing activities	80	30
Effects of exchange rate changes on opening cash and cash equivalents	1	- 10
Cash and cash equivalents at the end of the period	36 524	15 538

On 30 December 2016, KBC announced the acquisition of the United Bulgarian Bank and Interlease in Bulgaria: we expect the deal to close during the second quarter of 2017 at the latest. The consolidated figures in these condensed interim financial statements do not yet include the impact of this announced acquisition. The cash flows from investing activities in 2Q 2017 will be negatively impacted by the payments of the total consideration of 610 million euros in cash.

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

## Notes on statement of compliance and changes in accounting policies

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

The condensed interim financial statements of the KBC Group for the first quarter ended 31 March 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The same accounting policies, methods of computation and presentation have been followed in its preparation as were applied in the most recent annual financial statements, except for the following item:

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

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

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

## Notes on segment reporting

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

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

In millions of EUR	Business unit							Group Centre	KBC Group
	Business unit Belgium	Business unit Czech Republic	International Markets	of which Hungary	of which Slovakia	of which Bulgaria	of which Ireland		
<b>1Q 2017</b>									
Net interest income	625	216	189	58	53	12	66	- 5	1 025
Non-life insurance before reinsurance	143	18	25	9	6	10	0	1	187
Earned premiums Non-life	256	49	53	23	8	21	0	2	360
Technical charges Non-life	- 113	- 30	- 28	- 14	- 2	- 12	0	- 1	- 173
Life insurance before reinsurance	- 44	11	6	2	3	1	0	- 1	- 28
Earned premiums Life	241	48	23	4	13	6	0	0	312
Technical charges Life	- 285	- 38	- 17	- 2	- 9	- 5	0	- 1	- 341
Ceded reinsurance result	- 2	- 1	- 1	0	0	- 1	0	1	- 4
Dividend income	12	0	0	0	0	0	0	2	15
Net result from financial instruments at fair value through profit or loss	156	50	28	19	4	1	5	- 44	191
Net realised result from available-for-sale assets	23	11	2	1	0	1	0	9	45
Net fee and commission income	346	47	48	37	12	- 1	0	- 3	439
Net other income	46	26	4	1	2	0	0	1	77
<b>TOTAL INCOME</b>	<b>1 305</b>	<b>378</b>	<b>301</b>	<b>127</b>	<b>81</b>	<b>22</b>	<b>71</b>	<b>- 38</b>	<b>1 946</b>
Operating expenses	- 822	- 165	- 212	- 101	- 50	- 16	- 44	- 29	- 1 229
Impairment	- 60	1	47	1	- 2	- 1	50	4	- 8
on loans and receivables	- 59	1	48	1	- 2	- 1	50	4	- 6
on available-for-sale assets	- 1	0	0	0	0	0	0	0	- 1
on goodwill	0	0	0	0	0	0	0	0	0
on other	0	0	0	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	4	1	0	0	0	0	0	5
<b>RESULT BEFORE TAX</b>	<b>423</b>	<b>218</b>	<b>137</b>	<b>26</b>	<b>28</b>	<b>5</b>	<b>76</b>	<b>- 63</b>	<b>715</b>
Income tax expense	- 121	- 37	- 22	- 6	- 6	- 1	- 10	96	- 85
<b>RESULT AFTER TAX</b>	<b>301</b>	<b>181</b>	<b>114</b>	<b>20</b>	<b>22</b>	<b>4</b>	<b>67</b>	<b>33</b>	<b>630</b>
Attributable to minority interests	0	0	0	0	0	0	0	0	0
<b>NET RESULT</b>	<b>301</b>	<b>181</b>	<b>114</b>	<b>20</b>	<b>22</b>	<b>4</b>	<b>67</b>	<b>33</b>	<b>630</b>

<b>1Q 2016</b>									
Net interest income	688	211	178	58	54	12	55	- 10	1 067
Non-life insurance before reinsurance	107	20	20	8	5	7	0	- 2	145
Earned premiums Non-life	248	45	46	19	8	20	0	2	341
Technical charges Non-life	- 141	- 25	- 26	- 11	- 3	- 12	0	- 4	- 196
Life insurance before reinsurance	- 49	8	6	1	3	1	0	0	- 35
Earned premiums Life	335	67	24	4	14	6	0	0	426
Technical charges Life	- 384	- 59	- 18	- 3	- 10	- 5	0	0	- 461
Ceded reinsurance result	- 8	- 2	0	0	0	1	0	2	- 8
Dividend income	8	0	0	0	0	0	0	1	10
Net result from financial instruments at fair value through profit or loss	20	32	23	16	4	0	2	19	93
Net realised result from available-for-sale assets	23	0	4	3	0	0	0	0	27
Net fee and commission income	255	46	48	38	11	- 1	0	- 3	346
Net other income	46	5	1	- 1	1	- 1	0	0	51
<b>TOTAL INCOME</b>	<b>1 090</b>	<b>318</b>	<b>280</b>	<b>123</b>	<b>79</b>	<b>20</b>	<b>57</b>	<b>8</b>	<b>1 697</b>
Operating expenses	- 774	- 170	- 208	- 103	- 51	- 14	- 39	- 34	- 1 186
Impairment	- 30	- 1	2	1	- 1	- 1	3	0	- 28
on loans and receivables	- 6	- 1	3	2	- 1	- 1	3	0	- 4
on available-for-sale assets	- 24	0	0	0	0	0	0	0	- 24
on goodwill	0	0	0	0	0	0	0	0	0
on other	0	0	- 1	- 1	0	0	0	0	- 1
Share in results of associated companies and joint ventures	- 1	6	0	0	0	0	0	1	7
<b>RESULT BEFORE TAX</b>	<b>286</b>	<b>154</b>	<b>74</b>	<b>22</b>	<b>26</b>	<b>5</b>	<b>21</b>	<b>- 24</b>	<b>489</b>
Income tax expense	- 77	- 25	- 14	- 9	- 6	0	2	19	- 97
<b>RESULT AFTER TAX</b>	<b>209</b>	<b>129</b>	<b>60</b>	<b>12</b>	<b>20</b>	<b>4</b>	<b>23</b>	<b>- 6</b>	<b>392</b>
Attributable to minority interests	0	0	0	0	0	0	0	0	0
<b>NET RESULT</b>	<b>209</b>	<b>129</b>	<b>60</b>	<b>12</b>	<b>20</b>	<b>4</b>	<b>23</b>	<b>- 6</b>	<b>392</b>

## Other notes

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

In millions of EUR	1Q 2017	4Q 2016	1Q 2016
Total	1 025	1 057	1 067
Interest income	1 576	1 593	1 707
Available-for-sale assets	166	172	175
Loans and receivables	921	936	976
Held-to-maturity investments	234	249	245
Other assets not at fair value	33	18	18
<i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>	<i>1 354</i>	<i>1 375</i>	<i>1 415</i>
Financial assets held for trading	152	142	185
Hedging derivatives	68	68	76
Other financial assets at fair value through profit or loss	2	9	30
Interest expense	- 551	- 537	- 639
Financial liabilities measured at amortised cost	- 228	- 197	- 261
Other	- 18	- 21	- 4
<i>Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss</i>	<i>- 245</i>	<i>- 217</i>	<i>- 264</i>
Financial liabilities held for trading	- 171	- 175	- 208
Hedging derivatives	- 125	- 132	- 146
Other financial liabilities at fair value through profit or loss	- 8	- 11	- 19
Net interest expense on defined benefit plans	- 2	- 2	- 2

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

The result from financial instruments at fair value through profit or loss in 1Q 2017 is 33 million euros lower compared to 4Q 2016. The quarter-on-quarter decrease is due largely to lower results for MtM ALM derivatives, partly compensated by a higher level of dealing room income.

Compared to 1Q 2016, the result from financial instruments at fair value through profit or loss is 98 million euros higher, for a large part explained by a higher level of both dealing room income and positive market value adjustments in 1Q 2017 (compared to negative market value adjustments in 1Q 2016), partially offset by a lower MtM ALM derivatives.

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

In millions of EUR	1Q 2017	4Q 2016	1Q 2016
Total	45	8	27
Breakdown by portfolio			
Fixed-income securities	14	3	6
Shares	31	6	21

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

In millions of EUR	1Q 2017	4Q 2016	1Q 2016
Total	439	376	346
Income	620	552	507
Expense	- 181	- 176	- 161
Breakdown by type			
Asset Management Services	323	270	233
Income	333	280	246
Expense	- 10	- 10	- 12
Banking Services	184	182	177
Income	268	260	245
Expense	- 84	- 78	- 68
Distribution	- 68	- 75	- 64
Income	19	13	17
Expense	- 87	- 88	- 81

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

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

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

In millions of EUR	1Q 2017	4Q 2016	1Q 2016
Total	77	101	51
Of which net realised result following			
The sale of loans and receivables	2	2	0
The sale of held-to-maturity investments	6	1	1
Other, of which:	69	98	50
Income concerning leasing at the KBC Lease-group	20	19	20
Income from Group VAB	18	16	19
Realised gains or losses on divestments	0	3	0
Impact surrender reinsured contract	0	25	0
Settlement of an old legal file	14	0	0

Note old legal file related to Czech Republic

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
<b>1Q 2017</b>				
Earned premiums, insurance (before reinsurance)	313	365		678
Technical charges, insurance (before reinsurance)	- 341	- 173		- 514
Net fee and commission income	0	- 72		- 72
Ceded reinsurance result	0	- 4		- 4
Operating expenses	- 47	- 60	- 1	- 107
Internal costs claim paid	- 2	- 14		- 16
Administration costs related to acquisitions	- 8	- 19		- 27
Administration costs	- 37	- 27		- 64
Management costs investments	0	0	- 1	- 1
Technical result	- 74	56	- 1	- 19
Net interest income			143	143
Dividend income			7	7
Net result from financial instruments at fair value			2	2
Net realised result from AFS assets			22	22
Net other income			0	0
Impairments			- 1	- 1
Allocation to the technical accounts	138	22	- 158	0
Technical-financial result	61	78	14	154
Share in results of associated companies and joint ventures			0	0
RESULT BEFORE TAX	61	78	14	154
Income tax expense				- 44
RESULT AFTER TAX				110
attributable to minority interest				0
attributable to equity holders of the parent				111
<b>1Q 2016</b>				
Earned premiums, insurance (before reinsurance)	426	346		772
Technical charges, insurance (before reinsurance)	- 461	- 196		- 657
Net fee and commission income	- 9	- 67		- 76
Ceded reinsurance result	0	- 8		- 8
Operating expenses	- 47	- 60	- 1	- 107
Internal costs claim paid	- 2	- 14		- 16
Administration costs related to acquisitions	- 8	- 20		- 28
Administration costs	- 37	- 25		- 62
Management costs investments	0	0	- 1	- 1
Technical result	- 90	15	- 1	- 76
Net interest income			156	156
Dividend income			8	8
Net result from financial instruments at fair value			- 2	- 2
Net realised result from AFS assets			9	9
Net other income			3	3
Impairments			- 24	- 24
Allocation to the technical accounts	118	15	- 134	0
Technical-financial result	28	31	14	73
Share in results of associated companies and joint ventures			1	1
RESULT BEFORE TAX	28	31	16	74
Income tax expense				- 26
RESULT AFTER TAX				48
attributable to minority interest				0
attributable to equity holders of the parent				48

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



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

The operating expenses for 1Q 2017 include 361 million euros related to bank (and insurance) levies (27 million euros in 4Q 2016; 335 million euros in 1Q 2016). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

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

In millions of EUR	1Q 2017	4Q 2016	1Q 2016
Total	- 8	- 73	- 28
Impairment on loans and receivables	- 6	- 54	- 4
Breakdown by type			
Specific impairments for on-balance-sheet lending	20	- 45	- 9
Provisions for off-balance-sheet credit commitments	- 32	4	8
Portfolio-based impairments	6	- 13	- 2
Breakdown by business unit			
Business unit Belgium	- 59	- 46	- 6
Business unit Czech Republic	1	- 11	- 1
Business unit International Markets	48	8	3
of which: Hungary	1	1	2
of which: Slovakia	- 2	- 7	- 1
of which: Bulgaria	- 1	1	- 1
of which: Ireland	50	12	3
Group Centre	4	- 5	0
Impairment on available-for-sale assets	- 1	- 4	- 24
Breakdown by type			
Shares	- 1	- 7	- 24
Other	0	3	0
Impairment on goodwill	0	0	0
Impairment on other	0	- 15	- 1
Intangible assets, other than goodwill	0	- 10	0
Property and equipment and investment property	0	- 5	0
Held-to-maturity assets	0	0	0
Associated companies and joint ventures	0	0	0
Other	0	1	- 1

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

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

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Total
<b>FINANCIAL ASSETS, 31-03-2017</b>							
Loans and advances to credit institutions and investment firms <sup>a</sup>	401	1	0	27 909	-	-	28 311
Loans and advances to customers <sup>b</sup>	8	52	0	135 245	-	-	135 304
Excluding reverse repos	0	44	0	134 003	-	-	134 047
Trade receivables	0	0	0	3 629	-	-	3 629
Consumer credit	0	0	0	3 189	-	-	3 189
Mortgage loans	0	28	0	57 388	-	-	57 416
Term loans	8	23	0	60 412	-	-	60 443
Finance leasing	0	0	0	4 943	-	-	4 943
Current account advances	0	0	0	5 258	-	-	5 258
Other	0	0	0	426	-	-	426
Equity instruments	474	2	1 758	-	-	-	2 234
Investment contracts (insurance)	-	13 887	-	-	-	-	13 887
Debt securities issued by	1 312	412	33 977	1 247	33 148	-	70 095
Public bodies	1 030	47	22 355	275	31 321	-	55 029
Credit institutions and investment firms	132	174	5 128	135	1 144	-	6 714
Corporates	150	191	6 494	836	682	-	8 353
Derivatives	6 777	-	-	-	-	469	7 247
Other	0	0	0	715	0	0	715
<b>Total carrying value</b>	<b>8 972</b>	<b>14 353</b>	<b>35 735</b>	<b>165 116</b>	<b>33 148</b>	<b>469</b>	<b>257 794</b>
<sup>a</sup> Of which reverse repos							22 699
<sup>b</sup> Of which reverse repos							1 257

<b>FINANCIAL ASSETS, 31-12-2016</b>							
Loans and advances to credit institutions and investment firms <sup>a</sup>	6	1	0	16 922	-	-	16 929
Loans and advances to customers <sup>b</sup>	1	77	0	133 154	-	-	133 231
Excluding reverse repos	1	45	0	132 810	-	-	132 856
Trade receivables	0	0	0	3 549	-	-	3 549
Consumer credit	0	0	0	3 180	-	-	3 180
Mortgage loans	0	29	0	57 307	-	-	57 335
Term loans	0	49	0	59 035	-	-	59 083
Finance leasing	0	0	0	4 916	-	-	4 916
Current account advances	0	0	0	4 640	-	-	4 640
Other	1	0	0	527	-	-	528
Equity instruments	427	2	1 723	-	-	-	2 153
Investment contracts (insurance)	-	13 693	-	-	-	-	13 693
Debt securities issued by	1 001	411	34 985	1 015	33 697	-	71 109
Public bodies	713	47	22 982	16	32 131	-	55 889
Credit institutions and investment firms	127	174	5 032	140	948	-	6 421
Corporates	161	190	6 970	859	618	-	8 799
Derivatives	8 249	-	-	-	-	410	8 659
Other	0	0	0	524	-	-	525
<b>Total carrying value</b>	<b>9 583</b>	<b>14 184</b>	<b>36 708</b>	<b>151 615</b>	<b>33 697</b>	<b>410</b>	<b>246 298</b>
<sup>a</sup> Of which reverse repos							11 776
<sup>b</sup> Of which reverse repos							376

In millions of EUR	Held for trading	Designated at fair value	Hedging derivatives	Measured at amortised cost	Total
<b>FINANCIAL LIABILITIES, 31-03-2017</b>					
Deposits from credit institutions and investment firms <sup>a</sup>	59	5	-	39 539	39 603
Deposits from customers and debt certificates <sup>b</sup>	400	2 038	-	179 284	181 722
<i>Excluding repos</i>	398	1 960	-	178 749	181 107
Demand deposits	0	0	-	85 844	85 844
Time deposits	52	998	-	21 298	22 347
Saving accounts	0	0	-	53 898	53 898
Special deposits	0	0	-	2 154	2 154
Other deposits	0	0	-	713	713
Certificates of deposit	0	9	-	17 583	17 592
Customer savings certificates	0	0	-	1 668	1 668
Non-convertible bonds	348	759	-	13 117	14 224
Non-convertible subordinated liabilities	0	272	-	3 009	3 281
Liabilities under investment contracts	-	13 128	-	0	13 128
Derivatives	6 241	0	1 798	-	8 039
Short positions	574	0	-	-	574
in equity instruments	35	0	-	-	35
in debt instruments	539	0	-	-	539
Other	7	0	-	2 712	2 719
<b>Total carrying value</b>	<b>7 281</b>	<b>15 170</b>	<b>1 798</b>	<b>221 535</b>	<b>245 785</b>
<sup>a</sup> Of which repos					12 177
<sup>b</sup> Of which repos					615

<b>FINANCIAL LIABILITIES, 31-12-2016</b>					
Deposits from credit institutions and investment firms <sup>a</sup>	5	1 766	-	30 248	32 020
Deposits from customers and debt certificates <sup>b</sup>	541	2 134	-	175 055	177 730
<i>Excluding repos</i>	536	1 869	-	175 017	177 421
Demand deposits	0	0	-	83 427	83 427
Time deposits	117	1 100	-	21 027	22 245
Saving accounts	0	0	-	53 328	53 328
Special deposits	0	0	-	2 056	2 056
Other deposits	0	0	-	630	630
Certificates of deposit	0	14	-	16 629	16 643
Customer savings certificates	0	0	-	1 959	1 959
Non-convertible bonds	424	744	-	12 889	14 057
Non-convertible subordinated liabilities	0	276	-	3 109	3 385
Liabilities under investment contracts	-	12 653	-	0	12 653
Derivatives	7 334	-	1 704	-	9 037
Short positions	665	0	-	-	665
in equity instruments	36	0	-	-	36
in debt instruments	629	0	-	-	629
Other	13	0	-	2 182	2 195
<b>Total carrying value</b>	<b>8 559</b>	<b>16 553</b>	<b>1 704</b>	<b>207 485</b>	<b>234 300</b>
<sup>a</sup> Of which repos					9 420
<sup>b</sup> Of which repos					309

## Additional information on quarterly time series

### Loans and deposits

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

### Technical provisions plus unit linked, life insurance

In millions of EUR	31-03-2017		31-12-2016		30-09-2016		30-06-2016		31-03-2016	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	13 816	12 952	14 143	12 760	14 233	12 609	14 183	12 525	14 102	12 605
Business unit Czech Republic	495	524	493	525	493	460	492	483	494	488
Business unit International Markets	199	411	196	408	197	402	203	383	202	368
of which Hungary	47	285	48	284	49	280	51	267	51	254
of which Slovakia	108	123	107	122	107	121	107	116	107	113
of which Bulgaria	44	3	41	2	42	1	46	0	44	0
KBC Group	14 510	13 887	14 832	13 693	14 923	13 471	14 877	13 391	14 798	13 461

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

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 4.4 up to and including 4.7 of the annual accounts 2016.

Fair value hierarchy In millions of EUR	31-03-2017				31-12-2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Held for trading	1 278	5 675	2 019	8 972	1 034	6 585	2 064	9 683
Designated at fair value	13 544	607	202	14 353	13 377	616	191	14 184
Available for sale	30 449	3 715	1 570	35 735	31 427	3 716	1 565	36 708
Hedging derivatives	0	469	0	469	0	410	0	410
<b>Total</b>	<b>45 271</b>	<b>10 467</b>	<b>3 791</b>	<b>59 530</b>	<b>45 838</b>	<b>11 328</b>	<b>3 820</b>	<b>60 986</b>
<b>Financial liabilities measured at fair value</b>								
Held for trading	574	4 410	2 298	7 281	665	5 659	2 234	8 559
Designated at fair value	13 125	1 517	528	15 170	12 652	3 344	557	16 553
Hedging derivatives	0	1 798	0	1 798	0	1 704	0	1 704
<b>Total</b>	<b>13 699</b>	<b>7 725</b>	<b>2 826</b>	<b>24 250</b>	<b>13 318</b>	<b>10 707</b>	<b>2 791</b>	<b>26 815</b>

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

In the first 3 months of 2017, a total amount of 191 million euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred 38 million euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due to changed liquidity of corporate and government bonds.

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

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

- In the assets held for trading category, the fair value of derivatives decreased by 52 million euros, which is mainly due to maturing deals.
- The available for sale category remains largely at the same level, but includes compensating effects between debt securities and unquoted equities:
  - In the available for sale debt securities, a total amount of bonds of about 113 million euros was transferred into level 3 and 101 million euros out of level 3. The majority of the transfers is due to changed liquidity of bonds. This net increase in level 3 was more than compensated by a decrease in fair value of 70 million euros due to mainly the net impact of acquiring, selling and maturing of positions
  - In the available for sale unquoted equities, total fair value increased by 64 million euros for a large part due to acquisitions.

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

<i>in number of shares</i>	31-03-2017	31-12-2016
<b>Ordinary shares</b>	<b>418 372 082</b>	<b>418 372 082</b>
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	<i>418 372 082</i>	<i>418 372 082</i>
<i>of which treasury shares</i>	<i>2</i>	<i>2</i>
Other information		
Par value per ordinary share (in EUR)	3,48	3,48
Number of shares issued but not fully paid up	0	0

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

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

In 2016 and 1Q 2017:

- No material changes.

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

Significant non-adjusting events between the balance sheet date (31 March 2017) and the publication of this report (11 May 2017):

For 2016 the board of directors has proposed to the general meeting of shareholders, who approved this on 4 May 2017, that a closing dividend of 1.80 euros is paid out per share entitled to dividend (753 million euros in total). This closing dividend will be deducted from retained earnings in 2Q 2017. At that time this will also negatively impact the net cash (flow) from financing activities.



## REPORT OF THE ACCREDITED AUDITOR TO THE SHAREHOLDERS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017 AND FOR THE THREE-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 31 March 2017 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the three-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the three-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 287.293 million and a consolidated profit (share of the group) for the three-month period then ended of EUR 630 million.

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

### Scope of Review

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

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### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements does not present fairly, in all material respects, the financial position of the Group as at 31 March 2017, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Sint-Stevens-Woluwe, 10 May 2017

The statutory auditor  
PwC Bedrijfsrevisoren bevb  
Represented by

A blue ink signature of Roland Jeanquart, consisting of a large, stylized 'R' and 'J' intertwined.

Roland Jeanquart  
Accredited auditor

A blue ink signature of Tom Meuleman, consisting of a large, stylized 'T' and 'M' intertwined.

Tom Meuleman  
Accredited auditor



KBC Group  
Additional Information  
1Q 2017



*Section not reviewed by the Auditor*

## Credit risk

### Snapshot of the credit portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Information specifically on sovereign bonds can be found in the 2016 annual accounts page 102.

#### Credit risk loan portfolio overview

Total loan portfolio (in billions of EUR)

	31-03-2017	31-12-2016
Amount granted	181	181
Amount outstanding <sup>1</sup>	148	148
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	65%
Czech Republic	15%	15%
International Markets	17%	17%
Group Centre	3%	3%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	42,0%	42,3%
Finance and insurance	5,9%	5,7%
Authorities	3,1%	3,1%
Corporates	49,1%	48,9%
services	11,5%	11,5%
distribution	7,7%	7,6%
real estate	6,9%	6,9%
building & construction	4,3%	4,2%
agriculture, farming, fishing	2,7%	2,8%
automotive	2,2%	2,2%
electricity	1,6%	1,6%
food producers	1,4%	1,4%
metals	1,4%	1,4%
shipping	1,2%	1,2%
chemicals	1,2%	1,1%
machinery & heavy equipment	1,1%	1,1%
traders	0,9%	0,9%
hotels, bars & restaurants	0,8%	0,9%
oil, gas & other fuels	0,7%	0,7%
electrotechnics	0,6%	0,6%
other <sup>2</sup>	2,9%	2,9%
Total outstanding loan portfolio geographical breakdown		
Home countries	87.7%	88.2%
Belgium	56.3%	56.8%
Czech Republic	14.3%	14.0%
Ireland	8.6%	8.9%
Slovakia	4.8%	4.8%
Hungary	3.1%	3.1%
Bulgaria	0.6%	0.6%
Rest of Western Europe	7.8%	7.3%
France	1.9%	1.8%
Netherlands	1.8%	1.7%
Great Britain	1.2%	1.1%
Spain	0.6%	0.6%
Luxemburg	0.6%	0.6%
Germany	0.6%	0.4%
other	1.1%	1.0%
Rest of Central Europe	0.5%	0.5%
Russia	0.1%	0.1%
other	0.4%	0.4%
North America	1.6%	1.6%
USA	1.3%	1.4%
Canada	0.3%	0.2%
Asia	0.8%	0.8%
China	0.3%	0.3%
Hong Kong	0.2%	0.2%
Singapore	0.2%	0.2%
other	0.1%	0.1%
Rest of the world	1.6%	1.6%

	31-03-2017	31-12-2016
<b>Impaired loans (in millions of EUR or %)</b>		
Amount outstanding	10 017	10 583
of which: more than 90 days past due	5 361	5 711
Ratio of impaired loans, per business unit		
Belgium	3.0%	3.3%
Czech Republic	2.7%	2.8%
International Markets	24.2%	25.4%
Group Centre	8.2%	8.8%
Total	6.8%	7.2%
of which: more than 90 days past due	3.6%	3.9%
<b>Specific loan loss impairments (in millions of EUR) and Cover ratio (%)</b>		
Specific loan loss impairments	4 667	4 874
of which: more than 90 days past due	3 413	3 603
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	47%	46%
of which: more than 90 days past due	64%	63%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	56%	54%
of which: more than 90 days past due	74%	72%
<b>Credit cost, by business unit (%)</b>		
Belgium	0.24%	0.12%
Czech Republic	-0.02%	0.11%
International Markets	-0.75%	-0.16%
Slovakia	0.11%	0.24%
Hungary	-0.08%	-0.33%
Bulgaria	0.60%	0.32%
Ireland	-1.54%	-0.33%
Group Centre	-0.34%	0.67%
Total	0.02%	0.09%

<sup>1</sup> Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

<sup>2</sup> Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2016 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the (new) definition used by EBA.

## Credit portfolio per business unit (banking activities)

### Legend:

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

Loan portfolio Business Unit Belgium

31-03-2017, in millions of EUR

	Belgium <sup>1</sup>		Foreign branches		Total Business Unit Belgium	
	89 694	% outst.	6 036	% outst.	95 730	% outst.
<b>Total outstanding amount</b>						
<b>Counterparty break down</b>						
SME / corporate	25 914	28,9%	6 036	100,0%	31 949	33,4%
retail	63 781	71,1%	0	0,0%	63 781	66,6%
o/w private	35 032	39,1%	0	0,0%	35 032	36,6%
o/w companies	28 749	32,1%	0	0,0%	28 749	30,0%
<b>Mortgage loans<sup>2</sup></b>						
total	33 597	37,5%	0	0,0%	33 597	35,1%
o/w FX mortgages	0	0,0%	0	0,0%	0	0,0%
o/w ind. LTV > 100%	1 342	1,5%	0	0,0%	1 342	1,4%
<b>Probability of default (PD)</b>						
low risk (PD 1-4; 0,00%-0,80%)	67 599	75,4%	3 509	58,1%	71 108	74,3%
medium risk (PD 5-7; 0,80%-6,40%)	16 755	18,7%	1 955	32,4%	18 710	19,5%
high risk (PD 8-9; 6,40%-100,00%)	2 768	3,1%	145	2,4%	2 913	3,0%
impaired loans (PD 10 - 12)	2 474	2,8%	411	6,8%	2 886	3,0%
unrated	98	0,1%	15	0,2%	113	0,1%
<b>Overall risk indicators</b>						
outstanding impaired loans	2 474	1 186	411	197	2 886	1 384
o/w PD 10 impaired loans	1 146	301	287	102	1 433	404
o/w more than 90 days past due (PD 11+12)	1 328	885	125	95	1 453	980
all impairments (specific + portfolio based)	n.a.	n.a.	n.a.	n.a.	1 498	1 498
o/w portfolio based impairments	n.a.	n.a.	n.a.	n.a.	115	115
o/w specific impairments	1 186	197	197	0,32%	1 384	0,12%
2016 Credit cost ratio (CCR)	0,11%		0,32%		0,12%	
YTD 2017 CCR	0,24%		0,24%		0,24%	

### Remarks

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

<sup>2</sup> Mortgage loans: only to private persons (as opposed to the accounting figures)

Loan portfolio Business Unit Czech Republic

31-03-2017, in millions of EUR

For information: ČMSS<sup>3</sup>  
(consolidated via Equity method)

	22 581	% outst.	ind. LTV	2 405	% outst.	ind. LTV
<b>Total outstanding amount</b>						
Counterparty break down						
SME / corporate	7 886	34,9%	67%	43	1,8%	
retail	14 695	65,1%		2 363	98,2%	
o/w private	10 580	46,9%		2 350	97,7%	
o/w companies	4 115	18,2%		12	0,5%	
<b>Mortgage loans<sup>1</sup></b>						
total	9 610	42,6%	67%	1 841	76,6%	69%
o/w FX mortgages	0	0,0%	-	0	0,0%	-
o/w ind. LTV > 100%	402	1,8%	-	160	6,7%	-
<b>Probability of default (PD)</b>						
low risk (PD 1-4, 0.00%-0.80%)	15 492	68,6%		1 761	73,2%	
medium risk (PD 5-7, 0.80%-6.40%)	5 734	25,4%		409	17,0%	
high risk (PD 8-9, 6.40%-100.00%)	720	3,2%		158	6,6%	
impaired loans (PD 10 - 12)	605	2,7%		79	3,3%	
unrated	30	0,1%		0	0,0%	
<b>Overall risk indicators<sup>2</sup></b>						
outstanding impaired loans	605	334	55,1%	79	38	48,8%
o/w PD 10 impaired loans	191	46	24,1%	13	2	13,6%
o/w more than 90 days past due (PD 11+12)	414	288	69,4%	66	37	55,8%
all impairments (specific + portfolio based)	377	43		43		
o/w portfolio based impairments	43			5		
o/w specific impairments	334			38		
2016 Credit cost ratio (CCR)	0,11%			n/a		
YTD 2017 CCR	-0,02%			n/a		

<sup>1</sup> Mortgage loans, only to private persons (as opposed to the accounting figures)

<sup>2</sup> CCR at country level in local currency

<sup>3</sup> ČMSS: pro-rata figures, corresponding with KBC's 55%-participation in ČMSS

	12 804		6 910		4 644		924		25 298	
	% outst.	ind LTV	% outst.	ind LTV	% outst.	ind LTV	% outst.	ind LTV	% outst.	ind LTV
<b>Total outstanding amount</b>										
<b>Counterparty break down</b>										
SME / corporate	1 630	12.7%	2 764	40.0%	2 692	59.0%	321	34.8%	7 423	29.3%
retail	11 174	87.3%	4 146	60.0%	1 951	42.0%	603	65.2%	17 875	70.7%
o/w private	11 161	87.2%	3 345	48.4%	1 786	38.3%	357	38.6%	16 649	65.8%
o/w companies	13	0.1%	802	11.6%	165	3.6%	246	26.6%	1 226	4.8%
<b>Mortgage loans <sup>1</sup></b>										
total	11 135	87.0%	2 808	40.6%	1 641	35.3%	197	21.3%	15 782	62.4%
o/w FX mortgages	0	0.0%	0	0.0%	11	0.2%	56	6.1%	68	0.3%
o/w ind. LTV > 100%	2 926	22.9%	46	0.7%	321	6.9%	4	0.4%	3 297	13.0%
<b>Probability of default (PD)</b>										
low risk (PD 1-4; 0.00%-0.80%)	528	4.1%	4 922	71.2%	2 100	45.2%	126	13.6%	7 683	30.4%
medium risk (PD 5-7; 0.80%-6.40%)	5 564	43.6%	1 472	21.3%	1 785	38.4%	565	61.2%	9 415	37.2%
high risk (PD 8-9; 6.40%-100.00%)	1 304	10.2%	286	3.8%	347	7.5%	88	9.6%	2 006	7.9%
impaired loans (PD 10 - 12)	5 388	42.1%	199	2.9%	402	8.7%	145	15.7%	6 133	24.2%
unrated	0	0.0%	52	0.7%	10	0.2%	0	0.0%	62	0.2%
<b>Overall risk indicators <sup>2</sup></b>										
outstanding impaired loans	5 388	2.237	199	127	402	244	145	62	6 133	2 570
o/w PD 10 impaired loans	2 788	7.9%	34	64.0%	55	18	27	3	2 804	773
o/w more than 90 days past due (PD 11+12)	2 600	1.498	165	113	347	226	118	59	3 229	1 898
all impairments (specific + portfolio based)	2 309	1.41	141	66.5%	255	255	66	66	2 771	1 011
o/w portfolio based impairments	72	0.24%	14	14	12	12	3	3	101	101
o/w specific impairments	2 237	0.24%	127	127	244	244	62	62	2 670	2 670
2016 Credit cost ratio (CCR)	-0.33%	-0.33%	0.11%	0.11%	-0.33%	-0.33%	0.32%	0.32%	-0.16%	-0.16%
YTD 2017 CCR	-1.54%	-1.54%	0.11%	0.11%	-0.08%	-0.08%	0.60%	0.60%	-0.75%	-0.75%

**Remarks**

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

<sup>1</sup> Mortgage loans: only to private persons (as opposed to the accounting figures)

<sup>2</sup> CCR at country level in local currency

	4 778	% outst.	ind. LTV
<b>Total outstanding amount</b>			
Counterparty break down			
SME / corporate	4 778	100,0%	
retail	0	0,0%	
o/w private	0	0,0%	
o/w companies	0	0,0%	
<b>Mortgage loans<sup>2</sup></b>			
total	0	0,0%	
o/w FX mortgages	0	0,0%	
o/w ind. LTV > 100%	0	0,0%	
<b>Probability of default (PD)</b>			
low risk (PD 1-4; 0.00%-0.80%)	2 803	58,7%	
medium risk (PD 5-7; 0.80%-6.40%)	1 414	29,6%	
high risk (PD 8-9; 6.40%-100.00%)	168	3,5%	
impaired loans (PD 10 - 12)	393	8,2%	
unrated	0	0,0%	
<b>Overall risk indicators</b>			
outstanding impaired loans	393	spec. imp. 280	% cover 71,3%
o/w PD 10 impaired loans	128	32	24,7%
o/w more than 90 days past due (PD 11+12)	265	248	93,8%
all impairments (specific + portfolio based)	303		
o/w portfolio based impairments	23		
o/w specific impairments	280		
2016 Credit cost ratio (CCR)	0,67%		
YTD 2017 CCR	-0,34%		

**Remarks**

<sup>1</sup>Total Group Centre = KBC Credit Investments (legacy & and part of non-legacy portfolio assigned to BU Group), KBC FP (ex-Aluminium assets), KBC Bank part Group (a.o. activities in wind-down: e.g. ex-Antwerp Diamond Bank), in the segment reporting of loans & deposits included in the financial statements pg. 24 this part is allocated to business unit Belgium

<sup>2</sup> Mortgage loans: only to private persons (as opposed to the accounting figures)

## Solvency

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

### Solvency KBC Group

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 82% of the weighted credit risks, of which approx. 75% according to Advanced and approx. 7% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 18%) are calculated according to the Standardised approach. 12% of the latter, under the Danish Compromise, are the 370% risk-weighted holdings of own funds instruments of the insurance company.

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

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

#### Overview of KBC Group's capital ratios - In millions of EUR - 31.03.2017

		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	13 960	87 961	15,87%
	Fully loaded	13 839	88 389	15,66%
Deduction Method	Fully loaded	12 754	82 176	15,52%
Financial Conglomerates Directive*				
	Fully loaded	14 700	100 508	14,63%

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



Danish Compromise		31-03-2017		31-12-2016	
In millions of EUR		Fully loaded	Phased-in	Fully loaded	Phased-in
<b>Total regulatory capital (after profit appropriation)</b>		17 694	17 797	17 571	17 887
<b>Tier-1 capital</b>		15 239	15 397	15 286	15 473
<b>Common equity</b>		13 839	13 960	13 886	14 033
Parent shareholders' equity (after deconsolidating KBC Insurance)		15 989	15 989	15 500	15 500
Intangible fixed assets (incl deferred tax impact) (-)		- 408	- 408	- 400	- 400
Goodwill on consolidation (incl deferred tax impact) (-)		- 484	- 484	- 483	- 483
AFS revaluation reserve bonds (-)			- 83		- 206
Hedging reserve (cash flow hedges) (-)		1 274	1 274	1 356	1 356
Valuation diff. in fin. liabilities at fair value - own credit risk (-)		- 14	- 14	- 18	- 18
Value adjustment due to the requirements for prudent valuation (-)		- 155	- 136	- 140	- 109
Dividend payout (-)		- 1 055	- 1 055	- 753	- 753
Remuneration of AT1 instruments (-)		- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)		- 91	- 91	- 91	- 91
IRB provision shortfall (-)		- 203	- 203	- 203	- 203
Deferred tax assets on losses carried forward (-)		- 1 014	- 828	- 879	- 557
<b>Additional going concern capital</b>		1 400	1 437	1 400	1 440
Grandfathered innovative hybrid tier-1 instruments		0	37	0	40
CRR compliant AT1 instruments		1 400	1 400	1 400	1 400
<b>Tier 2 capital</b>		2 455	2 399	2 285	2 414
IRB provision excess (+)		366	364	367	362
Subordinated liabilities		2 088	2 035	1 918	2 053
<b>Total weighted risk volume</b>		88 389	87 961	87 782	86 878
Banking		79 108	78 680	78 482	77 579
Insurance		9 133	9 133	9 133	9 133
Holding activities		190	190	198	198
Elimination of intercompany transactions		- 42	- 42	- 32	- 32
<b>Solvency ratios</b>					
Common equity ratio		15,66%	15,87%	15,82%	16,15%
Tier-1 ratio		17,24%	17,50%	17,41%	17,81%
Total capital ratio		20,02%	20,23%	20,02%	20,59%

FICOD		31-03-2017		31-12-2016	
In millions of EUR		Fully loaded	Phased-in	Fully loaded	Phased-in
<b>Common Equity</b>		14 700	14 821	14 647	14 794
<b>Total weighted risk volume</b>		100 506	100 078	101 039	100 136
<b>Common equity ratio</b>		14,63%	14,81%	14,50%	14,77%

## Leverage ratio KBC Group

### Leverage ratio KBC Group (Basel III fully loaded)

In millions of EUR

	31-03-2017	31-12-2016
Tier-1 capital (Danish compromise)	15 239	15 286
Total exposures	265 597	251 891
Total Assets	287 293	275 200
Deconsolidation KBC Insurance	-32 977	-32 678
Adjustment for derivatives	-4 651	-5 784
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 354	-2 197
Adjustment for securities financing transaction exposures	1 676	1 094
Off-balance sheet exposures	16 609	16 256
Leverage ratio	5,74%	6,07%

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

## 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		31-03-2017		31-12-2016	
In millions of EUR	Fully loaded	Phased in	Fully loaded	Phased in	
Total regulatory capital, after profit appropriation	15 874	15 975	16 229	16 347	
Tier-1 capital	12 537	12 693	12 625	12 803	
Of which common equity	11 130	11 237	11 219	11 348	
Tier-2 capital	3 337	3 282	3 604	3 544	
Total weighted risks	79 108	78 680	78 482	77 579	
Credit risk	66 019	65 590	65 933	65 030	
Market risk	2 958	2 958	2 417	2 417	
Operational risk	10 132	10 132	10 132	10 132	
Solvency ratios					
Common equity ratio	14,1%	14,3%	14,3%	14,6%	
Tier-1 ratio	15,8%	16,1%	16,1%	16,5%	
CAD ratio	20,1%	20,3%	20,7%	21,1%	

## Solvency II, KBC Insurance consolidated

In millions of EUR	31-03-2017	31-12-2016
Own Funds	3 734	3 637
Tier 1	3 233	3 137
IFRS Parent shareholders equity	2 995	2 936
Dividend payout	- 106	- 103
Deduction intangible assets and goodwill (after tax)	- 123	- 123
Valuation differences (after tax)	339	349
Volatility adjustment	122	120
Other	6	- 42
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 700	1 791
Market risk	1 585	1 589
Non-life	529	531
Life	608	608
Health	181	181
Counterparty	125	87
Diversification	- 901	- 881
Other	- 427	- 323
Solvency II ratio	220%	203%

In April 2016, the National Bank of Belgium issued a Belgian specific regulation which limited the loss absorbing capacity of deferred taxes in the calculation of the required capital. Without applying this Belgian specific regulation, the Solvency II ratio of 4Q 2016 equals 214%.

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

## Income statement per business unit

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

### Business Unit Belgium - Breakdown P&L

in millions of EUR

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net Interest Income	625	651	680	682	688
Non-life insurance before reinsurance	143	122	118	94	107
<i>Earned premiums Non-life</i>	256	257	256	251	248
<i>Technical charges Non-life</i>	-113	-135	-138	-158	-141
Life insurance before reinsurance	-44	-62	-47	-50	-49
<i>Earned premiums Life</i>	241	298	257	327	335
<i>Technical charges Life</i>	-285	-360	-304	-377	-384
Ceded reinsurance result	-2	-8	11	-7	-8
Dividend income	12	15	10	27	8
Net Result from FIFV through profit or loss	156	174	69	66	20
Net Realised result from Available for sale assets	23	6	12	49	23
Net Fee and Commission Income	346	279	272	264	255
Net other income	46	66	53	44	46
<b>Total income</b>	<b>1 305</b>	<b>1 244</b>	<b>1 177</b>	<b>1 169</b>	<b>1 090</b>
Operating expenses	-822	-556	-529	-573	-774
Impairment	-60	-60	-41	-48	-30
<i>Impairment on Loans and receivables</i>	-59	-46	-33	-28	-6
<i>Impairment on available for-sale assets</i>	-1	-7	-7	-20	-24
<i>Impairment on goodwill</i>	0	0	0	0	0
<i>Impairment on Other</i>	0	-7	-1	0	0
Share in results of assoc. comp & joint-ventures	0	0	1	0	-1
Result before tax	423	628	608	548	286
Income tax	-121	-189	-193	-177	-77
Result after tax	301	439	414	371	209
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	301	439	414	371	209
<i>Banking</i>	208	371	330	303	176
<i>Insurance</i>	93	68	84	68	33
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased in '16)	42 797	42 566	42 537	42 697	43 112
Required capital, insurance (Solv. II as of '16)	1 494	1 611	1 782	1 639	1 652
Allocated capital (end of period)	5 945	5 974	6 142	6 016	6 071
Return on allocated capital (ROAC)	20%	29%	28%	25%	14%
Cost/income ratio, banking	67%	45%	47%	50%	74%
Combined ratio, non-life insurance	77%	92%	86%	100%	92%
Net interest margin, banking	1,67%	1,72%	1,78%	1,84%	1,86%

## Business unit Czech Republic - Breakdown P&L

in millions of EUR

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
<b>Net Interest Income</b>	<b>216</b>	<b>215</b>	<b>213</b>	<b>210</b>	<b>211</b>
Non-life insurance before reinsurance	18	24	17	17	20
<i>Earned premiums Non-life</i>	49	50	49	46	45
<i>Technical charges Non-life</i>	-30	-27	-32	-29	-25
Life insurance before reinsurance	11	10	10	8	8
<i>Earned premiums Life</i>	48	94	59	51	67
<i>Technical charges Life</i>	-38	-84	-49	-43	-59
Ceded reinsurance result	-1	-3	2	-1	-2
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	50	24	20	41	32
Net Realised result from Available for sale assets	11	0	0	48	0
Net Fee and Commission Income	47	50	46	49	46
<b>Net other income</b>	<b>26</b>	<b>2</b>	<b>7</b>	<b>4</b>	<b>5</b>
<b>Total income</b>	<b>378</b>	<b>322</b>	<b>314</b>	<b>378</b>	<b>318</b>
<b>Operating expenses</b>	<b>-165</b>	<b>-152</b>	<b>-144</b>	<b>-143</b>	<b>-170</b>
Impairment	1	-11	-2	-10	-1
<i>Impairment on Loans and receivables</i>	1	-11	-2	-9	-1
<i>Impairment on available-for-sale assets</i>	0	3	0	0	0
<i>Impairment on goodwill</i>	0	0	0	0	0
<i>Impairment on Other</i>	0	-3	0	-1	0
Share in results of assoc. comp & joint-ventures	4	4	8	5	6
Result before tax	218	163	175	231	154
<b>Income tax</b>	<b>-37</b>	<b>-33</b>	<b>-30</b>	<b>-40</b>	<b>-25</b>
Result after tax	181	131	145	191	129
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	181	131	145	191	129
<i>Banking</i>	174	118	137	186	123
<i>Insurance</i>	7	13	8	5	6
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	14 386	13 664	13 921	13 571	13 328
Required capital, insurance (Solv. II as of '16)	110	103	90	84	80
Allocated capital (end of period)	1 606	1 504	1 517	1 475	1 437
Return on allocated capital (ROAC)	48%	36%	41%	54%	37%
Cost/income ratio, banking	43%	47%	45%	36%	53%
Combined ratio, non-life insurance	100%	93%	96%	100%	95%
Net interest margin, banking	3,06%	2,96%	2,91%	2,91%	3,00%

## Business unit International Markets - Breakdown P&L

In millions of EUR

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net Interest Income	189	198	184	179	178
Non-life insurance before reinsurance	25	24	24	24	20
<i>Earned premiums Non-life</i>	53	52	50	49	46
<i>Technical charges Non-life</i>	-28	-28	-27	-25	-26
Life insurance before reinsurance	6	7	3	4	6
<i>Earned premiums Life</i>	23	21	20	24	24
<i>Technical charges Life</i>	-17	-14	-17	-19	-18
Ceded reinsurance result	-1	-2	-2	-2	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	28	24	11	31	23
Net Realised result from Available for sale assets	2	2	0	32	4
Net Fee and Commission Income	48	50	52	51	48
<b>Net other income</b>	4	2	-2	-2	1
<b>Total income</b>	<b>301</b>	<b>305</b>	<b>271</b>	<b>317</b>	<b>280</b>
Operating expenses	-212	-189	-180	-172	-208
Impairment	47	3	35	-6	2
<i>Impairment on Loans and receivables</i>	48	8	37	-6	3
<i>Impairment on available-for-sale assets</i>	0	0	0	0	0
<i>Impairment on goodwill</i>	0	0	0	0	0
<i>Impairment on Other</i>	0	-5	-2	0	-1
Share in results of assoc. comp & joint ventures	1	0	0	0	0
Result before tax	137	119	125	139	74
Income tax	-22	20	-19	-16	-14
Result after tax	114	139	106	123	60
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	114	139	106	123	60
<i>Banking</i>	106	135	99	119	52
<i>Insurance</i>	9	5	7	4	7
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	17 667	17 163	17 642	17 406	17 928
Required capital, insurance (Solv.II as of '16)	93	95	91	98	106
Allocated capital (end of period)	1 931	1 854	1 899	1 882	1 944
Return on allocated capital (ROAC)	23%	28%	22%	26%	13%
Cost/income ratio, banking	72%	61%	67%	53%	75%
Combined ratio, non-life insurance	85%	98%	97%	93%	88%
Net interest margin, banking	2,67%	2,70%	2,52%	2,48%	2,47%

## Hungary - Breakdown P&L

in million€ of IUF

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net interest income	58	59	58	57	58
Non-life insurance before reinsurance	9	9	8	8	8
<i>Earned premiums Non-life</i>	23	22	21	20	19
<i>Technical charges Non-life</i>	-14	-13	-13	-11	-11
Life insurance before reinsurance	2	3	-1	0	1
<i>Earned premiums Life</i>	4	4	4	4	4
<i>Technical charges Life</i>	-2	-1	-5	-3	-3
Ceded reinsurance result	0	-1	0	0	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	19	15	18	17	16
Net Realised result from Available for sale assets	1	0	0	15	3
Net Fee and Commission Income	37	40	40	40	38
<b>Net other income</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>-1</b>
<b>Total income</b>	<b>127</b>	<b>127</b>	<b>122</b>	<b>137</b>	<b>123</b>
Operating expenses	-101	-82	-78	-75	-103
Impairment	1	0	10	0	1
<i>Impairment on Loans and receivables</i>	1	1	11	1	2
<i>Impairment on available-for-sale assets</i>	0	0	0	0	0
<i>Impairment on goodwill</i>	0	0	0	0	0
<i>Impairment on Other</i>	0	-1	-1	0	-1
Share in results of assoc. comp & joint ventures	0	0	0	0	0
Result before tax	26	45	55	63	22
Income tax	-6	-21	-13	-10	-9
Result after tax	20	23	42	53	12
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	20	23	42	53	12
<i>Banking</i>	17	21	40	50	9
<i>Insurance</i>	3	2	2	3	3
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	5 551	5 199	5 562	5 197	5 515
Required capital, insurance (Solv. II as of '16)	34	33	29	26	23
Allocated capital (end of period)	611	566	599	558	589
Return on allocated capital (ROAC)	12%	15%	28%	35%	8%
Cost/income ratio, banking	81%	65%	63%	55%	85%
Combined ratio, non-life insurance	84%	99%	101%	92%	83%

## Slovakia - Breakdown P&L

in millions of EUR

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net Interest Income	53	56	53	52	54
Non-life insurance before reinsurance	6	5	5	5	5
<i>Earned premiums Non-life</i>	8	9	8	8	8
<i>Technical charges Non-life</i>	-2	-3	-3	-3	-3
Life insurance before reinsurance	3	3	3	3	3
<i>Earned premiums Life</i>	13	12	13	12	14
<i>Technical charges Life</i>	-9	-9	-10	-10	-10
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	4	2	2	7	4
Net Realised result from Available for sale assets	0	1	0	14	0
Net Fee and Commission Income	12	11	12	11	11
Net other income	2	2	1	1	1
<b>Total income</b>	<b>81</b>	<b>82</b>	<b>76</b>	<b>94</b>	<b>79</b>
Operating expenses	-50	-55	-48	-45	-51
Impairment	-2	-7	-1	-6	-1
<i>Impairment on Loans and receivables</i>	-2	-7	-1	-6	-1
<i>Impairment on available-for-sale assets</i>	0	0	0	0	0
<i>Impairment on goodwill</i>	0	0	0	0	0
<i>Impairment on Other</i>	0	0	0	0	0
Share in results of assoc. comp & joint ventures	0	0	0	0	0
Result before tax	28	20	26	43	26
Income tax	-6	-4	-6	-6	-6
Result after tax	22	16	20	37	20
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	22	16	20	37	20
<i>Banking</i>	19	14	17	35	17
<i>Insurance</i>	3	2	3	2	3
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	4 716	4 635	4 480	4 592	4 522
Required capital, insurance (Solv.II as of '16)	23	23	25	22	20
Allocated capital (end of period)	513	499	484	493	484
Return on allocated capital (ROAC)	17%	13%	17%	32%	18%
Cost/income ratio, banking	64%	66%	65%	46%	67%
Combined ratio, non-life insurance	73%	94%	87%	89%	85%



## Bulgaria - Breakdown P&L

in millions of EUR

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net Interest Income	12	13	12	12	12
Non-life insurance before reinsurance	10	10	10	10	7
<i>Earned premiums Non-life</i>	21	22	21	21	20
<i>Technical charges Non-life</i>	-12	-12	-11	-11	-12
Life insurance before reinsurance	1	1	1	1	1
<i>Earned premiums Life</i>	6	5	3	8	6
<i>Technical charges Life</i>	-5	-4	-2	-6	-5
Ceded reinsurance result	-1	-1	-1	-1	1
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	1	1	0	0	0
Net Realised result from Available for sale assets	1	0	0	3	0
Net Fee and Commission Income	-1	-1	-1	-1	-1
Net other income	0	-1	0	-4	-1
<b>Total income</b>	<b>22</b>	<b>21</b>	<b>23</b>	<b>21</b>	<b>20</b>
Operating expenses	-16	-15	-13	-14	-14
Impairment	-1	-2	-1	-1	-1
<i>Impairment on Loans and receivables</i>	-1	1	-1	-1	-1
<i>Impairment on available-for-sale assets</i>	0	0	0	0	0
<i>Impairment on goodwill</i>	0	0	0	0	0
<i>Impairment on Other</i>	0	-3	0	0	0
Share in results of assoc. comp & joint ventures	0	0	0	0	0
Result before tax	5	4	9	5	5
Income tax	-1	1	-1	-1	0
Result after tax	4	5	8	4	4
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	4	5	8	4	4
<i>Banking</i>	3	4	5	5	3
<i>Insurance</i>	1	1	2	-1	1
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased in '16)	842	839	799	792	779
Required capital, insurance (Solv.II as of '16)	37	39	37	50	63
Allocated capital (end of period)	125	125	119	131	142
Return on allocated capital (ROAC)	13%	16%	22%	12%	14%
Cost/income ratio, banking	72%	66%	53%	58%	67%
Combined ratio, non-life insurance	96%	98%	97%	96%	97%

## Ireland - Breakdown P&L

in millions of EUR

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net Interest Income	66	69	61	59	55
Non-life insurance before reinsurance	0	0	0	0	0
<i>Earned premiums Non-life</i>	0	0	0	0	0
<i>Technical charges Non-life</i>	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0
<i>Earned premiums Life</i>	0	0	0	0	0
<i>Technical charges Life</i>	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	5	7	-9	6	2
Net Realised result from Available for sale assets	0	0	0	0	0
Net Fee and Commission Income	0	-1	0	0	0
<b>Net other income</b>	<b>0</b>	<b>-1</b>	<b>-4</b>	<b>0</b>	<b>0</b>
<b>Total income</b>	<b>71</b>	<b>75</b>	<b>49</b>	<b>65</b>	<b>57</b>
Operating expenses	-44	-36	-40	-37	-39
Impairment	50	12	27	1	3
<i>Impairment on Loans and receivables</i>	50	12	28	1	3
<i>Impairment on available-for-sale assets</i>	0	0	0	0	0
<i>Impairment on goodwill</i>	0	0	0	0	0
<i>Impairment on Other</i>	0	0	-1	0	0
Share in results of assoc. comp & joint ventures	0	0	0	0	0
Result before tax	76	51	35	28	21
Income tax	-10	44	1	1	2
Result after tax	67	95	37	30	23
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	67	95	37	30	23
<i>Banking</i>	67	95	37	30	23
<i>Insurance</i>	0	0	0	0	0
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	6 544	6 477	6 787	6 810	7 095
Required capital, insurance (Solv.II as of '16)	-	-	-	-	-
Allocated capital (end of period)	681	664	696	698	727
Return on allocated capital (ROAC)	38%	52%	20%	16%	13%
Cost/income ratio, banking	63%	49%	83%	58%	69%
Combined ratio, non-life insurance	-	-	-	-	-

## Group Centre - Breakdown net result

in millions of EUR	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Operating expenses of group activities	-14	-39	-21	-7	-18
Capital and treasury management-related costs	-18	4	-4	1	1
Costs related to the holding of participations	-9	-14	-13	-9	-17
Results of remaining companies earmarked for divestment or in run-down	83	14	17	10	-8
Other items	-9	11	-14	41	36
<b>Total net result for the Group Centre</b>	<b>33</b>	<b>-24</b>	<b>-36</b>	<b>37</b>	<b>-6</b>

## Group Centre - Breakdown P&L

	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
Net Interest Income	-5	-7	-13	-2	-10
Non-life insurance before reinsurance	1	8	5	6	-2
Earned premiums Non-life	2	3	2	3	2
Technical charges Non-life	-1	5	3	4	-4
Life insurance before reinsurance	-1	0	0	0	0
Earned premiums Life	0	0	0	0	0
Technical charges Life	-1	0	0	0	0
Ceded reinsurance result	1	-2	-12	-4	2
Dividend income	2	3	2	9	1
Net Result from FIFV through profit or loss	-44	2	-31	16	19
Net Realised result from Available for sale assets	9	0	13	-1	0
Net Fee and Commission Income	-3	-2	-2	-4	-3
Net other income	1	30	2	1	0
<b>Total income</b>	<b>-38</b>	<b>32</b>	<b>-35</b>	<b>20</b>	<b>8</b>
Operating expenses	-29	-67	-41	-16	-34
Impairment	4	-5	-20	-7	0
Impairment on Loans and receivables	4	-5	-20	-7	0
Impairment on available-for-sale assets	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on Other	0	0	0	0	0
Share in results of assoc. comp & joint ventures	0	1	1	1	1
Result before tax	-63	-39	-95	-2	-24
Income tax	96	15	59	39	19
Result after tax	33	-24	-36	37	-6
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	33	-24	-36	37	-6
Banking	38	-11	-14	35	7
Insurance	2	11	-4	-1	2
Group	-7	-24	-17	2	-14
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	4 407	4 186	4 921	5 341	5 438
Risk-weighted assets, insurance (end of period, Basel II Danish compromise)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period, Solv.II as of '16)	3	-18	-18	-35	-20
Allocated capital (end of period)	461	428	487	513	537

## Details of ratios and terms

### Basic and diluted earnings per share

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

Calculation (in millions of EUR)	Reference	1Q 2017	1Q 2016
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	630	392
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 13	- 13
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	418	418
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		418	418
Basic = (A-B) / (C) (in EUR)		1.47	0.91
Diluted = (A-B) / (D) (in EUR)		1.47	0.91

### 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	1Q 2017	1Q 2016
Net technical insurance charges, including the internal cost of settling	Note 3.7.1	183	208
/			
Net earned insurance premiums (B)	Note 3.7.1	355	336
+			
Operating expenses (C)	Note 3.7.1	128	123
/			
Net written insurance premiums (D)	Note 3.7.1	452	429
= (A/B)*(C/D)		79.4%	90.8%

### 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	1Q 2017	2016
Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.*			
Phased-in*		15.9%	16.2%
Fully loaded*		15.7%	15.8%

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

### Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	1Q 2016
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	1 097	1 053
/			
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	1 662	1 477
= (A) / (B)		66.0%	71.3%

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

### Cover ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	2016
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 667	4 874
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	10 017	10 583
= (A) / (B)		46.6%	46.1%

### Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	1Q 2016
Net changes in impairment for credit risks (A) (annualised)	'Consolidated income statement' component of 'Impairment'	6	4
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	148 792	144 505
= (A) (annualised) / (B)		0.02%	0.01%

### Impaired loans ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	2016
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	10 017	10 583
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	148 387	147 526
= (A) / (B)		6.8%	7.2%

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

### Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	2016
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded)' table in the 'Leverage KBC Group' section	15 239	15 286
/			
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Based on the Capital Requirements Regulation (CRR)	285 597	251 891
= (A) / (B)		5.7%	6.1%

### Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	2016
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	70 950	65 400
/			
Total net cash outflows over the next 30 calendar days (B)		48 900	47 100
= (A) / (B)		145%	139%

## Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	2016
Loans and advances to customers (related to the group's banking activities) (A)	Note 4.1, component of 'Loans and advances to customers'	133 266	131 415
- Reverse repos with customers (B)	Note 4.1	- 1 257	- 376
+ Debt instruments issued by corporates and by credit institutions and investment firms (related to the group's banking activities) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	7 298	7 114
+ Loans and advances to credit institutions and investment firms (related to the group's banking activities, excluding dealing room activities) (D)	Note 4.1, component of 'Loans and advances to credit institutions and investment firms'	990	952
+ Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees given'	8 343	8 279
+ Impairment on loans (F)	Note 4.2, component of 'Impairment'	4 838	5 094
+ Other (including accrued interest) (G)	Component of Note 4.1	- 5 091	- 4 952
= (A)-(B)+(C)+(D)+(E)+(F)+(G)		148 387	147 526

## Minimum requirement for own funds and eligible liabilities (MREL)

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	2016
Own funds and eligible liabilities (issued from KBC Group NV) (A)	Based on BRRD	19 670	18 467
/			
Risk weighted assets (consolidated, Danish compromise method) (B)	'Consolidated balance sheet'	88 389	87 782
= (A) / (B)		22.3%	21.0%

## Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	1Q 2016
Net interest income of the banking activities (A) (annualised)	'Consolidated income statement', component of 'Net interest income'	871	904
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet', component of 'Total assets'	185 294	182 122
= (A) (annualised x360/number of calendar days) / (B)		1.88%	1.96%

## 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	1Q 2017	2016
Available amount of stable funding (A)	Basel III 'the net stable funding ratio' (Basel Committee on Banking Supervision publication, October 2014)	148 800	144 150
/			
Required amount of stable funding (B)		114 550	114 950
= (A) / (B)		130%	125%

## Parent shareholders' equity per share

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	2016
Parent shareholders' equity (A)	Consolidated balance sheet	16 506	15 957
/			
Number of ordinary shares less treasury shares (at period-end in millions) (B)	Note 5.10	418	418
= (A) / (B) (in EUR)		39,4	38,1

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

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

Calculation (in millions of EUR or %)	Reference	1Q 2017	1Q 2016
<b>BELGIUM BUSINESS UNIT</b>			
Result after tax (including minority interests) of the business unit (A)	Note 2.1 Segment reporting based on the management structure	301	209
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		6 119	5 815
= (A) annualised / (B)		19,7%	14,4%
<b>CZECH REPUBLIC BUSINESS UNIT</b>			
Result after tax (including minority interests) of the business unit (A)	Note 2.1 Segment reporting based on the management structure	181	129
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		1 511	1 405
= (A) annualised / (B)		47,9%	36,6%
<b>INTERNATIONAL MARKETS BUSINESS UNIT</b>			
Result after tax (including minority interests) of the business unit (A)	Note 2.1 Segment reporting based on the management structure	114	60
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		1 992	1 895
= (A) annualised / (B)		22,9%	12,6%

## 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	1Q 2017	1Q 2016
Result after tax, attributable to equity holders of the parent (A) (annualised)	Consolidated income statement	630	392
-			
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	Consolidated statement of changes in equity	- 13	- 13
/			
Average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets (C)	Consolidated statement of changes in equity	14 567	12 545
= (A-B) (annualised) / (C)		16,9%	12,1%

## Solvency ratio (insurance)

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

Calculation	1Q 2017	2016
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	220%	203%

## Total assets under management

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

Calculation (in billions of EUR)	Reference	1Q 2017	2016
Belgium Business Unit (A)	Company presentation on www.kbc.com	201.8	198.9
+ Czech Republic Business Unit (B)		8.8	8.5
+ International Markets Business Unit (C)		5.7	5.7
A)+(B)+(C)		216.2	213.1

## Total capital ratio

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

Calculation	1Q 2017	2016
Detailed calculation in the table 'Danish Compromise' under 'Solvency KBC Group' section		
Phased-in*	20.2%	20.6%
Fully loaded*	20.0%	20.0%

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



**Annex 3**

**Press release - “KBC Group: Excellent first-quarter result of 630 million euros”**



## Press Release

Outside trading hours - Regulated information\*

Brussels, 11 May 2017 (07.00 a.m. CEST)

# KBC Group: Excellent first-quarter result of 630 million euros

Against the background of highly accommodating monetary policy, persistently low interest rates and further improving economic growth, particularly in Central Europe and Ireland, KBC turned in another strong performance with a net profit of 630 million euros, well up on the 392 million euros in the first quarter of 2016. It was down on the 685 million euros recorded in the fourth quarter of 2016, since it was distorted by the booking of upfront banking taxes in the first quarter. Our lending and deposit volumes as well as our assets under management continued to grow in the first quarter 2017. In addition to the fine business performance, costs remained under control, overall loan loss impairment charges were extremely low and our solvency position remained strong. For Ireland, our guidance for loan impairment is for a release of 120-160 million euros for full year 2017.

### Financial highlights for the first quarter of 2017

- Both our banking and insurance franchises in our core markets and core activities continued to perform strongly.
- Quarter-on-quarter, lending to our clients increased by 1%, and deposits from our clients went up by 2%, with growth in both cases in almost all of our core countries.
- Net interest income – our main source of income – continued to be impacted by the climate of low reinvestment yields, and fell by some 3% in the quarter. Our net interest margin came to 1.88%, down 2 basis points quarter-on-quarter.
- Year-on-year, the premium income we earned on our non-life insurance products increased by 6% while claims fell 12%. Consequently, our non-life combined ratio for the first quarter of 2017 ended up at an exceptionally low 79%. Sales of our life insurance products decreased by 9% quarter-on-quarter.
- Our net fee and commission income went up sharply, rising by 17% quarter-on-quarter thanks mainly to our asset management services.
- Our other income items combined fell by 7% quarter-on-quarter; they included lower (but still high) trading and fair value income, higher gains realised on the sale of financial assets and lower other net income.
- Our operating expenses were impacted by most of the full-year bank taxes being booked in the first quarter (361 million euros). Excluding these taxes, expenses increased by 2% year-on-year. As a consequence, when the bank taxes are evenly spread throughout the year and some non-operational items excluded, our cost/income ratio for the first quarter of 2017 stood at a comfortable 52%.
- At 6 million euros, loan loss impairment remained extremely low in the quarter under review, thanks largely to impairment releases in Ireland. This brought our annualised cost of credit to a very low 0.02%. For Ireland, our guidance for loan impairment is for a release of 120-160 million euros for full year 2017.

- Income taxes stood at 85 million euros and benefited from a one-off deferred tax asset of 66 million euros related to the liquidation of a group company.
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.7% (fully loaded, Danish compromise).

Johan Thijs, our Group CEO, says:

*'We again performed very well in the quarter under review, notwithstanding the fact that the first quarter is traditionally impacted by the bulk of bank taxes for the full year being booked upfront. We are especially happy with the way our net fee and commission income has rebounded. This is evidence that we are*



*succeeding in our ambition to diversify our income towards fee business such as asset management and insurance. This, together with the very low level of loan loss impairment and our continued focus on cost containment, has enabled us to post an excellent 630 million euros in net profit.*

*Clients borrowed more from us, and also increased their deposits and assets under management with us. All this is proof that our client-centric approach is clearly paying off. Moreover, our solvency position remained strong and comfortably surpassed the minimum capital requirements set by the regulators.*

*On the strategic front – and as already announced earlier this year – we have named Ireland as a core country, where we will focus on a 'Digital First' approach. In all of our other core markets too, we are continuing to pro-actively roll-out our financial technology plans so we can serve our clients even better going forward. Moreover, the recent appointment of a dedicated Group Chief Innovation Officer to our Executive Committee clearly reflects the importance we attach to digitalisation and innovation in our group.*

*However, we see digitalisation as a means rather than an end. We are in fact constantly looking at how we can adapt in order to respond to our clients' changing needs. Indeed, in our business model, client-centricity is and remains the main pillar around which we define our future actions as a sustainable bank-insurer'.*

Overview KBC Group (consolidated, IFRS)	1Q2017	4Q2016	1Q2016
Net result (in millions of EUR)	630	685	392
Basic earnings per share (in EUR)	1.47	1.61	0.91
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	301	439	209
Czech Republic	181	131	129
International Markets	114	139	60
Group Centre	33	-24	-6
Parent shareholders' equity per share (in EUR, end of period)	39.4	38.1	34.3

## The core of our strategy

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

Our strategy consists of four interacting cornerstones:

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

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

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



## Highlights in the quarter under review


On the strategic front – and as already announced in February – we have named Ireland as a core market, alongside Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia. As a consequence, KBC Bank Ireland will strive to achieve a share of at least 10% in the retail and micro-SME market. Life and non-life insurance products will continue to be offered through partnerships. KBC Bank Ireland will accelerate its efforts and investments in expertise and resources to become a fully fledged, digital-first client-centric bank, while continuing to carefully and efficiently manage its legacy portfolio for maximum recovery. We plan to organise a KBC Group investor visit, which is scheduled to take place in Dublin on 21 June 2017.

As a group, we remain fully committed to our omnichannel approach, in which digitalisation and innovation are playing an ever increasing role. In order to keep on improving service to our clients, we are continuing to roll-out our financial technology plans in all of our core markets, leading to a continuous stream of new products and services (for instance, in Bulgaria, MasterCard and CIBANK have joined forces to launch the very first ATM to accept contactless cards and devices; in Ireland, KBC was among the first companies to make Apple Pay and Android Pay available to their clients, enabling them to use their phones to make contactless payments anywhere in the world; and in Belgium, we further expanded KBC Live, our regional contact centres, providing enhanced (video) chat capabilities and more staff, to reinforce our omnichannel approach).

On the operational level, we also reflected the importance we attach to innovation in the composition of our top management: our Executive Committee now includes a Chief Innovation Officer (Erik Luts) who will specifically manage KBC Group’s innovation and digitalisation agenda.

We also welcomed Rik Scheerlinck as the new Group CFO. He succeeded Luc Popelier who became the CEO of the International Markets Business Unit, replacing Luc Gijsens who left the Executive Committee after a much-appreciated 40-year career with our group.

We view sustainability as an integral part of our strategy and our everyday business. We elaborate on our sustainability approach not only in our Annual Report, but also in our Report to Society, which we published at the end of March and in which we focus on how KBC assumes its responsibility towards the community. We will also shortly be publishing a dedicated sustainability report, in which we will provide detailed information on our non-financial performance.



**Selection of awards and recognition since the start of the year**

- ▶ KBC Group's corporate website [www.kbc.com](http://www.kbc.com) tops the Compend Webranking for Belgium
- ▶ Fitch Ratings upgrades KBC Bank's and KBC Group's long-term ratings from 'A-' to 'A'
- ▶ Euromoney magazine names CSOB Private Banking 'Best Private Bank in the Czech Republic in 2017'
- ▶ KBC among the best workplaces in Belgium for 2017 (Great Place to Work®)
- ▶ KBC wins several awards from the Structured Retail Products magazine
- ▶ KBC receives award for 'Best Trade Finance Provider 2017' in Belgium, the Czech Republic, Slovakia and Hungary
- ▶ KBC Securities receives two awards from Euronext: 'Equity Finance House of the Year 2016' and 'Belgian SME Broker of the Year 2016'

## Overview of our results and balance sheet

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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q2017	4Q2016	3Q2016	2Q2016	1Q2016
Net interest income	1 025	1 057	1 084	1 070	1 087
Non-life insurance (before reinsurance)	187	178	184	141	145
Earned premiums	300	363	357	349	341
Technical charges	-173	-185	-193	-208	-196
Life insurance (before reinsurance)	-28	-44	-34	-38	-35
Earned premiums	372	413	336	402	420
Technical charges	-341	-457	-370	-440	-461
Ceded reinsurance result	-4	-15	-1	-13	-8
Dividend income	15	19	12	36	10
Net result from financial instruments at fair value through P&L	101	224	69	154	93
Net realised result from available-for-sale assets	45	8	28	128	27
Net fee and commission income	438	376	388	360	348
Other net income	77	101	59	47	51
<b>Total income</b>	<b>1 948</b>	<b>1 903</b>	<b>1 727</b>	<b>1 885</b>	<b>1 697</b>
Operating expenses	-1 229	-983	-895	-804	-1 188
Impairment	-8	-73	-28	-71	-28
on loans and receivables	-6	-54	-18	-50	-4
on available-for-sale assets	-1	-4	-7	-20	-24
on goodwill	0	0	0	0	0
other	0	-15	-3	-1	-1
Share in results of associated companies and joint ventures	5	5	9	6	7
Result before tax	715	871	814	916	489
Income tax expense	-85	-186	-184	-194	-97
Net post-tax result from discontinued operations	0	0	0	0	0
<b>Result after tax</b>	<b>630</b>	<b>685</b>	<b>629</b>	<b>721</b>	<b>392</b>
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	<b>630</b>	<b>685</b>	<b>629</b>	<b>721</b>	<b>392</b>
Basic earnings per share (EUR)	1.47	1.81	1.47	1.69	0.91
Diluted earnings per share (EUR)	1.47	1.81	1.47	1.69	0.91

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-03-2017	31-12-2016	30-09-2016	30-06-2016	31-03-2016
Total assets	287 293	275 200	266 016	265 681	261 551
Loans and advances to customers	135 304	133 231	131 973	131 383	129 703
Securities (equity and debt instruments)	72 329	73 262	72 774	73 484	72 860
Deposits from customers and debt certificates	181 722	177 730	170 425	175 870	173 648
Technical provisions, before reinsurance	19 234	19 657	19 745	19 724	19 619
Liabilities under investment contracts, insurance	13 128	12 653	12 508	12 427	12 508
Parent shareholders' equity	16 508	15 957	15 135	14 834	14 335

Selected ratios for the KBC group (consolidated)	1Q2017	FY2016
<b>Profitability and efficiency</b>		
Return on equity	17%	18%
Cost/income ratio, banking (between brackets: when evenly spreading the bank taxes and excluding some non-operational items)	66% (52%)	55% (57%)
Combined ratio, non-life insurance	79%	93%
<b>Solvency</b>		
Common equity ratio according to Basel III Danish Compromise method (phased-in/fully loaded)	15.0%/15.7%	16.2%/15.8%
Common equity ratio according to FICOD method (fully loaded)	14.6%	14.5%
Leverage ratio according to Basel III (fully loaded)	5.7%	6.1%
<b>Credit risk</b>		
Credit cost ratio	0.02%	0.09%
Impaired loans ratio	6.8%	7.2%
for loans more than 90 days overdue	3.6%	3.9%
<b>Liquidity</b>		
Net stable funding ratio (NSFR)	130%	125%
Liquidity coverage ratio (LCR)	145%	139%

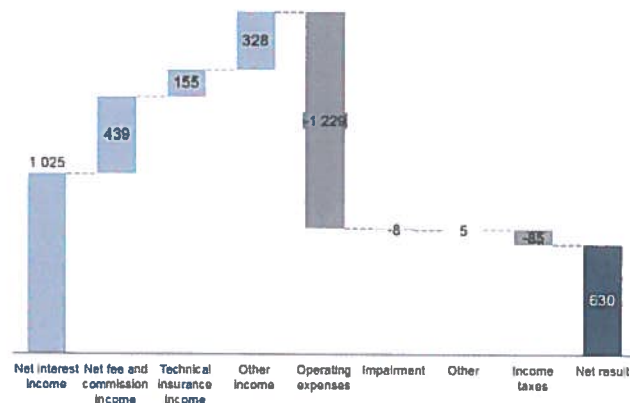
## Analysis of the quarter (1Q2017)

The net result for the quarter amounted to 630 million euros, compared to 685 million euros in the previous quarter and 392 million euros in the corresponding quarter a year earlier.

**Our total income was up 2% quarter-on-quarter, with increased net fee and commission income, higher realised gains and a higher contribution from the insurance activities being partly offset by a decrease in net interest income, trading and fair value income and other net income.**

Our net interest income (1 025 million euros) was down 3% on its level in the previous quarter and 4% on its year-earlier level. This was due in part to low reinvestment yields, a lower contribution to interest income from the dealing room, lower prepayment fees on mortgage loan refinancing, continued loan margin pressure and –quarter-on-quarter – the lower number of days in the quarter. The impact of these items was partly offset by decreased funding costs, the further positive effect of enhanced ALM management and loan volume growth (see below). As a result, our net interest margin came to 1.88% for the quarter under review, down 2 and 8 basis points on the figure recorded in the previous and year-earlier quarters, respectively. As already mentioned, interest income continued to be driven by loan volume growth: our total lending volume rose by 1% quarter-on-quarter and by 4% year-on-year. Deposits increased by 2% quarter-on-quarter and by almost 10% year-on-year.

Breakdown of the 1Q2017 result



Technical income from our non-life and life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) stood at 155 million euros in the quarter under review. Our non-life insurance activities contributed 183 million euros to that technical insurance income, 12% more than in the previous quarter, thanks mainly to much lower claims and a better reinsurance result. Compared to a year ago, the non-life activities contributed as much as 34% more to the result, but the main part of this increase relates to the fact that claims in the first quarter of 2016 had been impacted by the Brussels attacks. As a result, our combined ratio for the quarter under review came to an excellent 79%, compared to 93% for full

year 2016. The technical insurance income of our life insurance activities stood at -28 million euros, compared to -44 million euros in the previous quarter and -35 million euros in the year-earlier quarter. Compared to the relatively strong reference quarters, the aggregate sales of life insurance products fell by 9% quarter-on-quarter and by 19% year-on-year. The quarter-on-quarter drop was accounted for mainly by the Czech Republic (fewer sales of unit-linked life products), while the year-on-year decline was due to Belgium (primarily interest-guaranteed life products) and the Czech Republic (unit-linked products).

Our net fee and commission income improved sharply, going up by 17% quarter-on-quarter and by as much as 27% year-on-year, to 439 million euros. The improvement in both cases was almost entirely attributable to Belgium and was due essentially to the much higher contribution from asset management services, which generated an increase in both entry and management fees. At the end of March 2017, our total assets under management stood at 216 billion euros, up 1% quarter-on-quarter and 4% year-on-year, thanks mainly to the positive price performance in both periods.

All other income items amounted to an aggregate 328 million euros, compared to 352 million euros in the previous quarter and 181 million euros in the year-earlier quarter. The figures for the first quarter of 2017 include 45 million euros in gains realised on the sale of securities (two-thirds of which relating to shares), 15 million euros of dividend income and 77 million euros of other net income. It also includes a high net result of 191 million euros from financial instruments at fair value (trading and fair value income). This latter figure was down on the even higher 224 million euros in the previous quarter (as a further increase in our dealing room result could not fully offset the lower value of derivatives used for asset/liability management purposes), but up significantly on the 93 million euros in the year-earlier quarter (also owing to the solid performance of the dealing rooms combined with the positive impact of various valuation adjustments).

#### Disregarding bank taxes, costs fell 7% quarter-on-quarter, and rose just 2% year-on-year

At first sight, costs rose significantly on their level of the previous quarter (+28%), but this was due entirely to the fact that the first quarter of the year traditionally includes the upfront booking of the largest part of the bank tax for the full year (361 million euros in the first quarter of 2017, compared with 27 million euros in the fourth quarter of 2016 and 335 million euros in the first quarter of 2016).

Disregarding these bank taxes, costs were only slightly (2%) higher than in the year-earlier quarter and were even down 7% on the seasonally high figure for the last quarter of 2016 (which, besides higher marketing costs, professional fees and ICT costs, had also been impacted by one-off expenses for early retirement, among other things).

As a result, the cost/income ratio of our banking activities stood at 66% in the first quarter of 2017, compared to 55% for full year 2016. When the bank taxes are evenly spread throughout the year and some non-operational items are excluded, our cost/income ratio for the first quarter of 2017 came to a comfortable 52% (57% for full year 2016).

#### Extremely low level of overall loan loss impairment charges in the quarter under review

In the first quarter of 2017, we booked an extremely low 6 million euros in loan loss impairment charges, compared to 54 million euros in the previous quarter and a likewise extremely low 4 million euros a year earlier. The low figure for the quarter under review was due essentially to the combination of a net impairment release of 50 million euros in Ireland (thanks mainly to the increase in the 9-month average housing price index and a further improvement in the non-performing portfolio), a net addition of 59 million euros in Belgium (impacted by two large corporate loans), and just a minor impact from provisioning in all other countries (a net addition of 2 million euros in Slovakia and 1 million euros in Bulgaria, a net release of 1 million euros in the Czech Republic, 1 million euros in Hungary and 4 million euros in the Group Centre).

Consequently, annualised loan loss impairment for the entire group in the first quarter of 2017 accounted for a very low 0.02% of the total loan portfolio. At the end of March 2017, some 6.8% of our loan book was classified as impaired (3.6% was impaired and more than 90 days past due), a further improvement on the situation at the beginning of the year (7.2% and 3.9%, respectively).

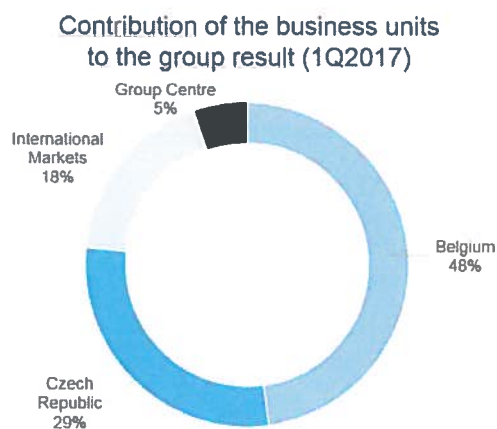
Impairment on assets other than loans stood at 1 million euros, compared to 19 million in the fourth quarter of 2016 and 25 million euros in the first quarter of 2016.

### Income tax expense

There was an income tax charge of 85 million euros in the first quarter of 2017, compared to 186 million euros in the previous quarter and 97 million euros in the year-earlier quarter. The quarter-on-quarter difference is accounted for by a number of factors, including the lower taxable base in the first quarter of 2017 and the fact that that quarter also benefited from a higher amount of deferred tax assets (including 66 million euros related to the liquidation of an Irish group company).

### Results per business unit (quarter-on-quarter)

Our quarterly profit of 630 million euros breaks down as follows:



- 301 million euros for the Belgium Business Unit. Excluding the effect of the special bank tax, the net result went up by 10% quarter-on-quarter, as higher net fee and commission income, increased technical insurance income, higher realised gains on the sale of financial assets and lower costs were only partially offset by a decrease in net interest income, in trading and fair value income and in other net income, combined with a somewhat higher level of loan loss impairment.
- 181 million euros for the Czech Republic Business Unit. Excluding the effect of the special bank tax, this represents an increase of 54% quarter-on-quarter, thanks essentially to higher trading and fair value income, higher realised gains on the sale of bonds, a positive one-off item in other net income, seasonally lower costs and a small net release of loan loss impairment, while net interest income managed to remain at its level of the previous quarter.
- 114 million euros for the International Markets Business Unit (22 million euros for Slovakia, 20 million euros for Hungary, 4 million euros for Bulgaria and 67 million euros for Ireland). Excluding the effect of the special bank tax, this is an increase of 2% quarter-on-quarter for the business unit as a whole. The net result (excluding bank taxes) decreased in Ireland, where the positive effect of the higher level of loan loss impairment releases was less than the positive impact of the tax benefit (recognition of a deferred tax asset) in the previous quarter. The net result (excluding bank taxes) went up in Bulgaria, Slovakia (total income more or less stable, combined with lower costs and loan loss impairment) and in Hungary (stable total income and lower costs, combined with the positive effect of the lower income tax rate in 2017).
- 33 million euros for the Group Centre, 57 million euros more than in the previous quarter. The quarter under review included the booking of a deferred tax asset relating to the liquidation of IIB Finance Ireland (a positive impact of 66 million euros).



Selected ratios per business unit	Belgium		Czech Republic		International Markets	
	1Q2017	FY2016	1Q2017	FY2016	1Q2017	FY2016
Cost/income ratio, banking (between brackets, when evenly spreading bank taxes and excl. some non-operational items)	67% (50%)	54% (55%)	43% (40%)	45% (46%)	72% (64%)	64% (66%)
Combined ratio, non-life insurance	77%	92%	100%	98%	85%	94%
Credit cost ratio*	0.24%	0.12%	-0.02%	0.11%	-0.75%	-0.16%

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

A full results table is provided in the 'Additional information' section of the quarterly report. A short analysis of the results per business unit is provided in the analyst presentation, available on [www.kbc.com](http://www.kbc.com).

### Strong fundamentals: equity, solvency and liquidity

At the end of March 2017, our total equity stood at 17.9 billion euros (16.5 billion euros in parent shareholders' equity and 1.4 billion euros in additional tier-1 instruments), up 0.5 billion euros on its level at the beginning of the year. The change during the first three months of the year resulted from the inclusion of the profit for that period (+0.6 billion euros), changes in the available-for-sale and cash flow hedge reserves (-0.1 billion euros combined) and a number of minor items.

At 31 March 2017, our fully loaded common equity ratio (Basel III, under the Danish compromise) stood at a strong 15.7%. It hence comfortably exceeds the regulators' target (10.40% by 2019, with additional pillar 2 guidance of 1.0%). Our leverage ratio (Basel III, fully loaded) came to 5.7%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 220% at 31 March 2017.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 145% and an NSFR ratio of 130% at the end of March 2017.

### Risk statement

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

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

On the macroeconomic front, the positive momentum of the global economy persisted into the first quarter of 2017. Particularly in the euro area, economic growth remained robust in the first quarter. The economic and financial environment is also improving in emerging markets. Commodity exporters are benefiting from increasing commodity prices. Higher global inflation was driven mainly by the rise in the energy component, while in the euro area, the persistently low level of core inflation caught the eye. During the first quarter, global long-term government bond yields on balance remained low, mainly as a result of doubts about the new US government's ability to pursue an expansionary fiscal policy, somewhat lower inflation expectations

and the Fed's less hawkish communication after the March rate hike. Meanwhile, the intra-EMU sovereign yield spread initially widened, but eased again, while the euro strengthened against the US dollar.

Risk management data is provided in our annual reports, quarterly reports and dedicated risk reports, all of which are available at [www.kbc.com](http://www.kbc.com).

## Our views and guidance

Our view on interest rates and foreign exchange rates: we are working on the assumption that the euro area will 'survive' its election calendar of 2017/2018 and that intra-EMU spreads will eventually ease again to slightly below their current levels by the end of 2017. After December 2017, we expect the ECB to gradually phase out its QE programme and end it by mid-2018. The ECB will probably not raise its policy rate before the end of 2018. In the meantime, we expect another two rate increases by the Fed in 2017 and three more in 2018 (of 25 basis points each). As a result, we expect the US dollar to appreciate against the euro in 2017, as it will benefit from short-term interest rate support. Given the low inflation environment and still highly accommodating global monetary policies, we expect German and US long-term bond yields to rise only moderately in the period ahead.

Our view on economic growth: the economic environment in the euro area continues to improve. This is particularly true for Germany, the engine driving growth in the euro area. The consumer sector in the euro area remains solid, as confidence is still on an upward trend. Indeed, retail sales growth in the euro area remains firm. Moreover, labour market conditions continue to improve, which will further support consumption in the period ahead. The most significant risks still stem from political events, the real start of the Brexit negotiations after the UK general election on 8 June, and the trend of de-globalisation. These risks may add to uncertainty that could potentially spill over to the real economy in the form of more pessimistic sentiment and a postponement of investments.

Our guidance on KBC's results for 2017: we anticipate solid returns in all our business units. We view the current credit cost ratio as being very low. For Ireland, in particular, our guidance for loan impairment is for a release of 120-160 million euros for full year 2017.

\* This news item contains information that is subject to the transparency regulations for listed companies.

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