KBC Group Quarterly Report 1Q2019

Report for 1Q2019

Consolidated financial statements

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KBC Group

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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.

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Date of release: 16 May 2019

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First-quarter result of 430 million euros

KBC Group - overview (consolidated, IFRS)	1Q2019	4Q2018	1Q2018
Net result (in millions of EUR)	430	621	556
Basic earnings per share (in EUR)	0.98	1.44	1.30
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	*176*	*361*	*243*
Czech Republic	*177*	*170*	*171*
International Markets	*70*	*93*	*137*
Group Centre	*7*	*-3*	*5*
Parent shareholders' equity per share (in EUR, end of period)	43.1	41.4	40.9

We generated a net profit of 430 million euros in the first quarter of 2019. This is a good result, considering that we – as usual – recorded the bulk of the bank taxes for the full year in the first quarter (382 million euros in the first quarter of 2019). Excluding the bank taxes, the net result even surpassed the previous quarter's net result by 9%, thanks to a slight increase in total income and lower costs (excluding bank taxes), despite somewhat higher loan loss impairment charges. Adjusted for the sale of a legacy portfolio in Ireland last year, lending to customers increased by 5% year-on-year, and deposits including debt certificates rose by 6%. Sales of non-life and life insurance products also went up year-on-year by 9% and 4%, respectively. Our solvency position, which does not include the profit of the first quarter of 2019, remained strong too, with a common equity ratio of 15.7%. Our dividend policy (payout ratio of at least 50%) remains unchanged.

As regards sustainability, we are in continuous dialogue with our customers and stakeholders, aiming to fully live up to society's expectations. In March, for instance, we tightened up our policy towards tobacco and decided not only to exclude the tobacco industry from our lending, insurance and SRI activities, but also start the process to eliminate it from our conventional investment funds and proprietary investment portfolio. Besides that, we signed up to the United Nations charter for tobacco-free financing, which fits in perfectly with the two key focus areas of Health and Population Ageing in our sustainability strategy.

In line with our general strategy, we continued to focus on our core activities and markets. In the weeks following the quarter-end, for instance, we reached an agreement for the sale of our Irish subsidiary's legacy performing corporate loan portfolio of roughly 260 million euros. The transaction is expected to close in the course of 2019, and further solidifies KBC Bank Ireland's core business focus on retail and micro SME clients. A few days later, our Czech subsidiary ČSOB reached an agreement to acquire the remaining 45% stake in the Czech building savings bank ČMSS for 240 million euros. The transaction will have an impact of approximately -0.3 percentage points on KBC Group's common equity ratio. Furthermore, the revaluation of our already existing 55% stake in ČMSS will lead to a one-off gain of roughly 80 million euros on the closing date. As a result of this transaction, ČSOB will hold 100% of ČMSS and consolidates its position as the largest provider of financial solutions for housing purposes in the Czech Republic. The agreement is expected to close before the end of the second quarter of 2019.

Ultimately, our success is based on the trust that our clients continue to place in us. I'd like to explicitly thank each and every one of them for their long-standing confidence and to assure them that we're more focused than ever in our efforts to become the reference in bank-insurance in all our core countries.

Johan Thijs
Chief Executive Officer

Financial highlights in the first quarter of 2019

- Commercial bank-insurance franchises in our core markets performed well.

- Lending volumes were up 1% quarter-on-quarter and 5% year-on-year (adjusted for the sale of part of the Irish loan book in the last quarter of 2018), with year-on-year increases in all business units. Deposits including debt certificates were up 2% quarter-on-quarter and 6% year-on-year, with year-on-year increases in all business units.

- Net interest income was more or less flat year-on-year. It was down 3% quarter-on-quarter, due to several factors, including pressure on loan margins and the low reinvestment yields in our euro area core countries, which more than offset the positive effect of general loan volume growth, the positive impact of interest rate increases in the Czech Republic, and lower funding costs.

- Earned premium income from our non-life insurance activities went up 10% year-on-year, but this was offset by higher technical charges, due in part to storms and large fire claims. The combined ratio for the quarter under review amounted to a good 93%, compared to 88% for full-year 2018. Sales of our life insurance products were up by 1% and 4% on their level in the previous and year-earlier quarters, respectively.

- Net fee and commission income was slightly up (1%) quarter-on-quarter. It was down 9% year-on-year, mainly due to generally lower asset management-related entry and management fees.

- All other remaining income items combined were up 85% quarter-on-quarter, owing essentially to higher trading and fair value income. Year-on-year, such other income items decreased by 9%, mainly due to lower dividend and net other income.

- Excluding bank taxes (the bulk of which are recorded in the first quarter of the year), costs were down 4% quarter-on-quarter (partly a seasonal effect) and 1% year-on-year. In both cases, one-off items account for part of the variance. When certain non-operating items are excluded and the bank taxes are evenly spread throughout the year, the cost/income ratio amounted to 57% in the first quarter of 2019, in line with the figure for full-year 2018.

- The quarter included a 67-million-euro loan loss impairment charge, compared to a 30-million-euro charge in the previous quarter and a net release of impairments of 63 million euros in the year-earlier quarter. The annualised cost of credit for the quarter amounted to a still benign 0.16% in the first quarter of 2019, compared to -0.04% for full-year 2018 (a negative figure indicates a positive impact on the results).

- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.7%, or 15.8% when including the net result for the first quarter, taking into account the full-year 2018 payout ratio of 59% (dividend + AT1 coupon). Our leverage ratio amounted to 6.0% at the end of March 2019.

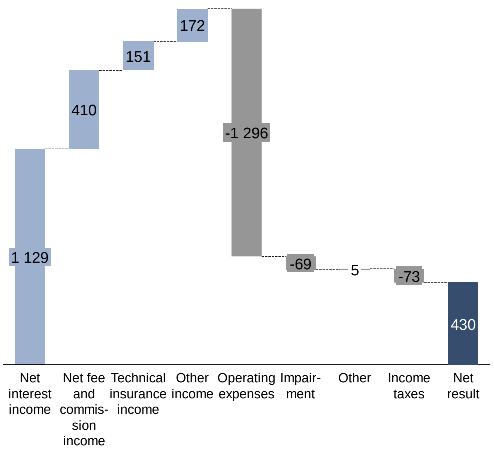
The cornerstones of our strategy

Our strategy rests on four principles:

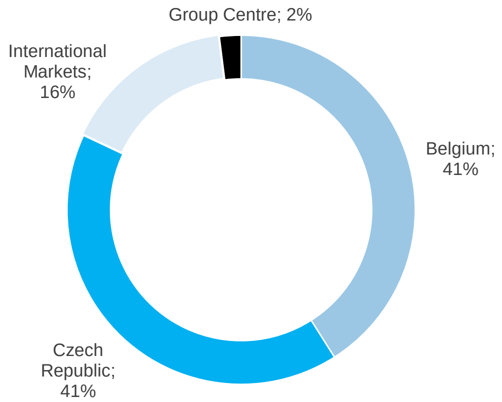
- We place our customers at the centre of everything we do.
- We look to offer our customers a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

Breakdown of the 1Q2019 result

(in millions of EUR)



Contribution of the business units to the group result (1Q2019)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q2019	4Q2018	3Q2018	2Q2018	1Q2018
Net interest income	1 129	1 166	1 136	1 117	1 125
Non-life insurance (before reinsurance)	161	198	197	202	162
Earned premiums	*415*	*409*	*403*	*392*	*378*
Technical charges	*-254*	*-211*	*-205*	*-190*	*-216*
Life insurance (before reinsurance)	-3	-3	-9	1	-7
Earned premiums	*351*	*416*	*293*	*315*	*336*
Technical charges	*-354*	*-418*	*-302*	*-314*	*-343*
Ceded reinsurance result	-7	-12	-6	-14	-9
Dividend income	12	15	12	34	21
Net result from financial instruments at fair value through P&L[1]	99	2	79	54	96
Net realised result from debt instruments at fair value through other comprehensive income	2	0	0	8	1
Net fee and commission income	410	407	424	438	450
Net other income	59	76	56	23	71
Total income	1 862	1 848	1 888	1 863	1 912
Operating expenses	-1 296	-996	-981	-966	-1 291
Impairment	-69	-43	2	1	56
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-67*	*-30*	*8*	*21*	*63*
Share in results of associated companies & joint ventures	5	4	2	3	6
Result before tax	503	814	911	901	683
Income tax expense	-73	-192	-211	-210	-127
Result after tax	430	621	701	692	556
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**430**	**621**	**701**	**692**	**556**
Basic earnings per share (EUR)	0.98	1.44	1.63	1.61	1.30
Diluted earnings per share (EUR)	0.98	1.44	1.63	1.61	1.30
Key consolidated balance sheet figures KBC Group (in millions of EUR)	**31-03-2019**	**31-12-2018**	**30-09-2018**	**30-06-2018**	**31-03-2018**
Total assets	292 332	283 808	304 740	301 934	304 022
Loans and advances to customers, excl. reverse repos	148 517	147 052	146 011	145 346	142 512
Securities (equity and debt instruments)	63 706	62 708	63 030	63 936	66 050
Deposits from customers and debt certificates, excl. repos	197 987	194 291	194 056	192 951	188 034
Technical provisions, before reinsurance	18 589	18 324	18 533	18 595	18 754
Liabilities under investment contracts, insurance	13 334	12 949	13 444	13 428	13 338
Parent shareholders' equity	17 924	17 233	16 878	16 616	17 119
Selected ratios KBC group (consolidated)	**1Q2019**	**FY2018**			
Return on equity	10%[3]	16%			
Cost/income ratio, banking (when excluding certain non-operating items and evenly spreading the bank tax)	72% (57%)	57.5% (57%)			
Combined ratio, non-life insurance	93%	88%			
Common equity ratio, Basel III Danish Compromise (fully loaded)	15.7%[4]	16.0%			
Common equity ratio, FICOD (fully loaded)	14.7%	14.9%			
Leverage ratio, Basel III (fully loaded)	6.0%	6.1%			
Credit cost ratio[5]	0.16%	-0.04%			
Impaired loans ratio	4.3%	4.3%			
for loans more than 90 days past due	2.4%	2.5%			
Net stable funding ratio (NSFR)	138%	136%			
Liquidity coverage ratio (LCR)	140%	139%			

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 14.5% when evenly spreading the bank tax throughout the year.
4 When including the net result of the first quarter, taking into account the full-year 2018 payout ratio of 59% (dividend + AT1 coupon), the ratio is 15.8%.
5 A negative figure indicates a net impairment release (with a positive impact on the results).

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

Analysis of the quarter (1Q2019)

Total income

1 862 million euros

Total income increased by 1% quarter-on-quarter. Overall, trading and fair value income and – to a lesser extent – net fee and commission income increased, while net interest income, non-life insurance technical income and net other income fell compared to the previous quarter.

Net interest income amounted to 1 129 million euros in the quarter under review, down 3% quarter-on-quarter and roughly flat year-on-year. In general, net interest income continued to suffer from the pressure on commercial loan margins in most core countries, the negative effect of low reinvestment yields (in our core countries in the euro area), the lower number of days (quarter-on-quarter) and the lower netted positive impact of ALM FX swaps, while it benefited from loan volume growth, the effects of interest rate increases in the Czech Republic and lower funding costs. As already mentioned, interest income continued to be supported by loan volume growth: the total volume of customer lending rose by 1% quarter-on-quarter and 5% year-on-year (adjusted for the sale of part of the Irish loan book in the last quarter of 2018), with increases in all business units. Customer deposits including debt certificates were up 2% quarter-on-quarter and 6% year-on-year, with increases in all business units (for the year-on-year figures). The net interest margin came to 1.98% for the quarter under review, down 4 and 3 basis points on the level recorded in the previous and year-earlier quarters, respectively.

Technical income from our non-life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) contributed 154 million euros to total income. It was more or less flat compared to the year-earlier quarter, and it was down 18% on the previous quarter, as higher earned premium income and a better ceded reinsurance result were more than offset by a significant increase in technical charges, mainly caused by storms (in Belgium and to a lesser extent the Czech Republic) and large fire claims (in Belgium). Overall, the combined ratio for the first quarter of 2019 came to a good 93%, compared to an excellent 88% recorded for full-year 2018.

Technical income from our life insurance activities stood at -3 million euros, compared to -4 million euros in the previous quarter and -7 million euros in the year-earlier quarter. Despite the previous quarter benefiting from high volumes in tax-incentivised pension savings products in Belgium, sales of life insurance products in the quarter under review (516 million euros) were still up 1% on the level recorded in the previous quarter, thanks to higher sales of unit-linked life insurance products in Belgium. Compared to the year-earlier quarter, sales of life insurance products were up 4%, driven by higher sales of guaranteed interest products (in Belgium and also in Bulgaria, where UBB Life has been included in the scope of consolidation). Overall, the share of guaranteed-interest products in our total life insurance sales stood at 59% in the first quarter of 2019, with unit-linked products accounting for the remaining 41%.

At 410 million euros, net fee and commission income was slightly up (1%) on its level for the previous quarter and down 9% compared to the year-earlier quarter. The latter drop was mainly due to asset management activities, which generated lower entry and management fees compared to a year ago. Compared to the previous quarter though, asset management related fees went up (mainly increased entry fees), partly offset by lower banking services-related fees (mostly related to seasonally lower payment service income). At the end of March 2019, our total assets under management stood at 210 billion euros, up 5% quarter-on-quarter as a result of improving asset prices. Year-on-year, total assets under management were still down 2%.

All other remaining income items amounted to an aggregate 172 million euros, as opposed to 93 million euros in the previous quarter and 189 million euros in the year-earlier quarter. They included a 99-million-euro net result from financial instruments at fair value (trading and fair value income). This figure was up 97 million euros on its level in the previous quarter, due mainly to a higher net result related to equity instruments in the insurer's portfolio, improved dealing room income (especially in Belgium) and less negative effects of various valuation adjustments. Compared to the first quarter of 2018, trading and fair value income was up 4%. The other remaining income items in the first quarter of 2019 also included 12 million euros in dividend income and a net realised result of 2 million euros from debt instruments at fair value through OCI, as well as 59 million euros in net other income. This latter item was down 18 million euros and 13 million euros, respectively, on the previous and year-earlier quarters, which had both benefited from the positive impact of the settlement of legacy legal cases (the first quarter of 2019 also includes a positive effect related to a legal case, but for a smaller amount).

Operating expenses

1 296 million euros

Excluding bank taxes, operating expenses in the first quarter were down 4% compared to the previous quarter. When certain non-operating items are excluded and the banking taxes are evenly spread throughout the year, the cost/income ratio came to 57%.

Operating expenses in the first quarter of 2019 stood at 1 296 million euros. The quarter-on-quarter comparison is distorted by the traditional upfront recognition in the first quarter of most of the banking taxes for the full year (382 million euros in the first quarter of 2019, 41 million euros in the fourth quarter of 2018, and 371 million euros in the first quarter of 2018). Excluding bank taxes, operating expenses fell 4% quarter-on-quarter and 1% year-on-year. The 4% quarter-on-quarter decrease was related to lower staff expenses (due, in part, to a positive one-off item in Belgium to the tune of 8 million euros) and seasonally lower professional fees, ICT costs and marketing expenses. The 1% year-on-year decrease is due to lower staff expenses in Belgium and lower facilities costs (in both cases partly due to one-off items in the current or reference periods), partly offset by higher ICT costs and other factors.

When certain non-operating items are excluded and the banking tax is evenly spread throughout the year, the cost/income ratio of our banking activities came to 57%, in line with the figure recorded for full-year 2018. Including the non-operating elements and the bank tax in the first quarter, the cost/income ratio of our banking activities stood at 72%.

Loan loss impairment

67-million-euro net increase

Net loan loss impairment charge of 67 million euros, largely attributable to a few corporate loans in Belgium. Still benign credit cost ratio of 0.16% for the quarter under review.

In the first quarter of 2019, we recorded a 67-million-euro net impairment charge, compared with a net charge of 30 million euros in the previous quarter and a net release of 63 million euros in the first quarter of 2018. Broken down by country, loan loss impairment charges in the first quarter of 2019 came to 82 million euros in Belgium (increase due to a few corporate loans), 3 million euros in Slovakia, 0 million euros in Hungary, 2 million euros in Bulgaria, and net releases of 12 million in Ireland (because of the increase in house prices and overall portfolio improvement), 2 million euros in the Czech Republic and 6 million euros in the Group Centre. For the entire group, the credit cost ratio amounted to 0.16% for the quarter under review, compared to -0.04% for full-year 2018 (a negative figure indicates a net release and, hence, has a positive effect on the results).

The impaired loans ratio was roughly unchanged. At the end of March 2019, some 4.3% of our total loan book was classified as impaired (also 4.3% at year-end 2018). Impaired loans that are more than 90 days past due decreased to 2.4% of the loan book, compared with 2.5% at year-end 2018.

Impairment on assets other than loans stood at only 1 million euros. This figure compares with 13 million euros in the previous quarter and 6 million euros in the first quarter of 2018, both of which included impairment charges related to the review of residual values of short-term financial car leases in the Czech Republic.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
176 million euros	177 million euros	70 million euros	7 million euros

Belgium: the net result (176 million euros) was significantly down quarter-on-quarter, as it was distorted by most of the bank taxes for the full year being recorded upfront in the first quarter of 2019 (273 million euros). Excluding bank taxes, the net result was even up 2% quarter-on-quarter, with higher trading and fair value income and fee and commission income, a positive one-off tax effect, and slightly lower costs offsetting lower non-life insurance technical income (affected by storm and fire-related claims), net interest income and net other income and higher loan loss impairment charges (related to corporate loans).

Czech Republic: the net result (177 million euros) was up 4% on its level for the previous quarter. Excluding bank taxes, it was up 21%, mainly on account of higher net interest income and net other income (including a one-off item), lower costs and lower impairment charges for loans and other assets.

International Markets: the 70-million-euro net result breaks down as follows: 18 million euros in Slovakia, 25 million euros in Hungary, 13 million euros in Bulgaria and 14 million euros in Ireland. For the business unit as a whole and excluding the banking tax effect, the net result was up 5% quarter-on-quarter, with higher results for Bulgaria (higher non-life technical result, lower costs and impairments, etc.) and Slovakia (higher net other income and lower impairments, etc.) more than offsetting a lower result for Ireland (lower net interest income, increased costs, lower loan loss impairment releases, etc.), while Hungary's net result (excluding bank tax effect) remained more or less in line with the previous quarter.

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**1Q2019**	**FY2018**	**1Q2019**	**FY2018**	**1Q2019**	**FY2018**
Cost/income ratio, banking excluding certain non-operating items and spreading the banking tax evenly	56%	58%	44%	46%	69%	65%
Combined ratio, non-life insurance	93%	87%	93%	97%	84%	90%
Credit cost ratio[1]	0.30%	0.09%	-0.02%	0.03%	-0.11%	-0.46%
Impaired loans ratio	2.6%	2.6%	2.4%	2.4%	11.8%	12.2%

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

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

Equity, solvency and liquidity

Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
19.4 billion euros	15.7%	140%	138%

At the end of March 2019, total equity stood at 19.4 billion euros (17.9 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments), down 0.2 billion euros on its level at the end of 2018. This was due to the combined effect of a number of items, including profits for the quarter (+0.4 billion euros), the call of an additional tier-1 instrument and issuance of a new additional tier-1 instrument (-1.4 billion euros and +0.5 billion euros, respectively) and changes in various revaluation reserves (an aggregate +0.3 billion euros). We have provided details of the changes in the 'Consolidated financial statements' section of the quarterly report (under 'Consolidated statement of changes in equity').

Our common equity ratio at 31 March 2019 amounted to 15.7%, without recognition of the net profit of the first quarter of 2019. When we include the net profit for the first quarter, taking into account the full-year 2018 payout ratio of 59%* (dividend + AT1 coupon), the common equity ratio amounted to 15.8% for the quarter under review, compared to 16% at the end of 2018, essentially due to an increase in risk-weighted assets. Note that our dividend policy (payout ratio of at least 50%) remains unchanged. Our leverage ratio (Basel III, fully loaded) came to 6.0%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 210% at end of March 2019. Our liquidity position remained excellent too, as reflected in an LCR ratio of 140% and an NSFR ratio of 138% at the end of March 2019.

* Interim profit recognition based on the ECB Umbrella Decision, which states that the dividend to be deducted is the highest of (i) maximum pay-out according to dividend policy, (ii) average pay-out ratio over the last 3 years or (iii) last year's pay-out ratio.

Risk statement, economic views and guidance

Risk statement

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

At present, a number of items are considered to constitute the main challenges for the financial sector. These relate to recent macroeconomic and political developments, such as Brexit and trade conflicts, all of which affect global and European economies, including KBC's home markets. Economic growth and interest rate forecasts have been lowered, with a heightened risk that the low interest rate environment will persist for longer than anticipated. Regulatory and compliance risks remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

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

Our view on interest rates and foreign exchange rates

Given the heightened downside risks to the outlook for the euro area economy, any significant tightening of ECB policy entailing an initial rate rise is still some distance away. The ECB's first step towards a normalisation of its policy rate will likely only be taken in 2020 at the earliest. Over the past few months, the outlook for the US economy has remained steady despite some mounting risks. However, the combination of increased global economic uncertainties and the Fed's more subdued outlook for headline inflation have made the case for a less aggressive Fed going forward. Given this shift in guidance, we don't expect any further rate hikes. The short-term factors that supported the US dollar against the euro are waning now that the Fed has taken a more cautious stance. In the medium to long run, expectations of an ECB rate hike and the consequences of late-cyclical fiscal stimuli in the US could lead to an appreciation of the euro against the US dollar.
Despite a still generally positive outlook for the global economy, uncertainty has increased about the economic conditions going forward. Investors continue to seek safe-haven assets, and long-term benchmark yields have fallen. With inflation expectations somewhat lower, safe haven trends persisting, and technical and policy factors at play that keep German bonds scarce, it is difficult to see a likely trigger for sharply increasing benchmark yields.
Unlike the dovish stance of the ECB, the Czech National Bank has been tightening its monetary policy with a somewhat sooner-than-expected rate hike earlier this year (+25 bps to 2% on 2 May). This reflects a buoyant Czech growth and inflation environment. Given these favourable conditions, the Czech currency is expected to appreciate moderately. We expect one more increase in the Czech policy rate before the end of 2020.

Our view on economic growth

In line with global economic developments, the European economy is currently going through a slowdown. However, this is likely temporary and we expect a rebound in 2020. Decreasing unemployment rates and growing labour shortages in some European economies, combined with gradually rising wage inflation, will continue to support private consumption. Investments will also remain an important driver of growth. The main elements that could substantially impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro area countries.

Guidance

- Solid returns for all business units.
- The acquisition of the remaining 45% of ČMSS in the Czech Republic is expected to close before the end of the second quarter of 2019. The transaction will affect our strong common equity ratio by approximately -0.3 percentage points. The revaluation of our 55% stake in CMSS will lead to a one-off P&L gain, estimated at approximately 80 million euros.
- Basel IV impact (as of 1 January 2022) for KBC is estimated to increase risk-weighted assets (RWA) by roughly 8 billion euros (on a fully loaded basis at year-end 2018), corresponding to RWA inflation of 9% and an impact on the common equity ratio of -1.3 percentage points.

KBC Group

Consolidated financial statements according to IFRS

1Q 2019

Section reviewed by the Auditor

Glossary

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

Consolidated income statement

(in millions of EUR)	Note	1Q 2019	4Q 2018	1Q 2018
Net interest income	3.1	1 129	1 166	1 125
Interest income	*3.1*	*1 821*	*1 848*	*1 682*
Interest expense	*3.1*	*- 692*	*- 682*	*- 557*
Non-life insurance (before reinsurance)	3.7	161	198	162
Earned premiums	*3.7*	*415*	*409*	*378*
Technical charges	*3.7*	*- 254*	*- 211*	*- 216*
Life insurance (before reinsurance)	3.7	- 3	- 3	- 7
Earned premiums	*3.7*	*351*	*416*	*336*
Technical charges	*3.7*	*- 354*	*- 418*	*- 343*
Ceded reinsurance result	3.7	- 7	- 12	- 9
Dividend income		12	15	21
Net result from financial instruments at fair value through profit or loss	3.3	99	2	96
of which result on equity instruments (overlay approach)		*29*	*- 3*	*19*
Net realised result from debt instruments at fair value through OCI		2	0	1
Net fee and commission income	3.5	410	407	450
Fee and commission income	*3.5*	*588*	*602*	*648*
Fee and commission expense	*3.5*	*- 178*	*- 196*	*- 197*
Net other income	3.6	59	76	71
TOTAL INCOME		1 862	1 848	1 912
Operating expenses	3.8	- 1 296	- 996	- 1 291
Staff expenses	*3.8*	*- 567*	*- 580*	*- 583*
General administrative expenses	*3.8*	*- 647*	*- 343*	*- 640*
Depreciation and amortisation of fixed assets	*3.8*	*- 82*	*- 73*	*- 68*
Impairment	3.10	- 69	- 43	56
on financial assets at AC and at FVOCI	*3.10*	*- 67*	*- 30*	*63*
on goodwill	*3.10*	*0*	*0*	*0*
other	*3.10*	*- 1*	*- 13*	*- 6*
Share in results of associated companies and joint ventures		5	4	6
RESULT BEFORE TAX		503	814	683
Income tax expense	3.12	- 73	- 192	- 127
Net post-tax result from discontinued operations		0	0	0
RESULT AFTER TAX		430	621	556
attributable to minority interests		0	0	0
of which relating to discontinued operations		*0*	*0*	*0*
attributable to equity holders of the parent		**430**	**621**	**556**
of which relating to discontinued operations		*0*	*0*	*0*
Earnings per share (in EUR)				
Ordinary		0,98	1,44	1,30
Diluted		0,98	1,44	1,30

Overview impact of the overlay approach on the consolidated income statement

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

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to 121 million euros. It can be summarized as the difference between

- IFRS 9 result (without applying the overlay): 151 million euros of which 155 million euros realised and unrealised fair value adjustments included in ‘net result from financial instruments at fair value through profit or loss’ and -4 million euros income taxes;
- IAS 39 result: 29 million euros including net realised result amounting to 36 million euros and impairment loss of 6 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1Q 2019	4Q 2018	1Q 2018
RESULT AFTER TAX	430	621	556
attributable to minority interests	0	0	0
attributable to equity holders of the parent	430	621	556
OCI TO BE RECYCLED TO PROFIT OR LOSS	244	- 159	- 75
Net change in revaluation reserve (FVOCI debt instruments)	194	- 4	- 33
Net change in revaluation reserve (FVPL equity instruments) - overlay approach	121	- 167	- 88
Net change in hedging reserve (cashflow hedges)	- 65	6	48
Net change in translation differences	- 8	19	0
Hedge of net investments in foreign operations	2	- 14	- 1
Net change in respect of associated companies and joint ventures	- 2	0	0
Other movements	1	1	- 1
OCI NOT TO BE RECYCLED TO PROFIT OR LOSS	33	- 91	0
Net change in revaluation reserve (FVOCI equity instruments)	7	- 15	3
Net change in defined benefit plans	29	- 81	- 3
Net change in own credit risk	- 2	5	0
Net change in respect of associated companies and joint ventures	- 1	0	0
TOTAL COMPREHENSIVE INCOME	708	372	482
attributable to minority interests	0	0	0
attributable to equity holders of the parent	708	372	482

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

- The revaluation reserve (FV OCI debt instruments) increased in 1Q 2019 by 194 million euros, positively impacted by lower interest rates. This also largely explains the negative net change in the hedging reserve (cash flow hedge) of -65 million euros. In 1Q 2018, the revaluation reserve (FV OCI debt instruments) lowered by 33 million euros, while the hedging reserve (cash flow hedge) had an offsetting impact of 48 million euros. Both changes were primarily influenced by the unwinding effect.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the +121 million euros in 1Q 2019 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments). In 1Q 2018, the -88 million euros can be explained for the largest part by negative fair value movements.
- The net change in defined benefit plans (+29 million euros) is mainly related to the positive performance of the plan assets (strong stock markets in 1Q 2019).

Consolidated balance sheet

(in millions of EUR)	Note	31-03-2019	31-12-2018
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		16 967	18 691
Financial assets	4.0	266 276	256 916
Amortised cost	*4.0*	*224 030*	*216 792*
Fair value through OCI	*4.0*	*18 363*	*18 279*
Fair value through profit or loss	*4.0*	*23 705*	*21 663*
of which held for trading	*4.0*	*7 948*	*6 426*
Hedging derivatives	*4.0*	*178*	*183*
Reinsurers' share in technical provisions, insurance		138	120
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		361	64
Tax assets		1 616	1 549
Current tax assets		*126*	*92*
Deferred tax assets		*1 489*	*1 457*
Non-current assets held for sale and disposal groups		13	14
Investments in associated companies and joint ventures		213	215
Property, equipment and investment property		3 615	3 299
Goodwill and other intangible assets		1 335	1 330
Other assets		1 800	1 610
TOTAL ASSETS		292 332	283 808
LIABILITIES AND EQUITY			
Financial liabilities	4.0	250 806	242 626
Amortised cost	*4.0*	*228 095*	*220 671*
Fair value through profit or loss	*4.0*	*21 460*	*20 844*
of which held for trading	*4.0*	*5 863*	*5 834*
Hedging derivatives	*4.0*	*1 251*	*1 111*
Technical provisions, before reinsurance		18 589	18 324
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		- 55	- 79
Tax liabilities		471	380
Current tax liabilities		*160*	*133*
Deferred tax liabilies		*311*	*247*
Liabilities associated with disposal groups		0	0
Provisions for risks and charges		235	235
Other liabilities		2 860	2 689
TOTAL LIABILITIES		272 908	264 175
Total equity	5.10	19 424	19 633
Parent shareholders' equity	5.10	17 924	17 233
Additional tier-1 instruments included in equity	5.10	1 500	2 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		292 332	283 808

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (AFS assets)*	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay approach*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cashflow hedges)*	*Translation differences*	*Hedge of net investments in foreign operations*	*Remeasure-ment of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
31-03-2019																		
Balance at the end of the previous period	**1 457**	**5 482**	**- 3**	**10 901**	*-*	*586*	*159*	*22*	*- 1 263*	*- 73*	*86*	*- 119*	*- 3*	**- 605**	**17 233**	2 400	0	**19 633**
Net result for the period	**0**	**0**	**0**	**430**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**430**	0	0	**430**
Other comprehensive income for the period	**0**	**0**	**0**	**1**	*-*	*192*	*121*	*6*	*- 65*	*- 8*	*2*	*29*	*- 2*	**276**	**278**	0	0	**278**
Subtotal	**0**	**0**	**0**	**431**	*-*	*192*	*121*	*6*	*- 65*	*- 8*	*2*	*29*	*- 2*	**276**	**708**	0	0	**708**
Dividends	**0**	**0**	**0**	**0**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Coupon on additional tier-1 instruments	**0**	**0**	**0**	**- 14**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 14**	0	0	**- 14**
Issue or Call of additional Tier-1 instruments included in equity	**0**	**0**	**0**	**- 2**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 2**	- 900	0	**- 902**
Transfer from revaluation reserves to retained earnings upon realisation	**0**	**0**	**0**	**- 1**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 1**	0	0	**- 1**
Total change	**0**	**0**	**0**	**415**	*-*	*192*	*121*	*6*	*- 65*	*- 8*	*2*	*29*	*- 2*	**276**	**691**	- 900	0	**- 209**
Balance at the end of the period	**1 457**	**5 482**	**- 3**	**11 316**	-	778	281	29	- 1 328	- 81	88	- 89	- 6	**- 328**	**17 924**	1 500	0	**19 424**
of which relating to application of the equity method					*-*	*4*	*0*	*0*	*0*	*13*	*0*	*0*	*0*	***18***	***18***			***18***
2018																		
Balance at the end of the previous period	**1 456**	**5 467**	**- 5**	**10 101**	*1 751*	*0*	*0*	*0*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**383**	**17 403**	1 400	0	**18 803**
Impact of the first-time adoption of IFRS 9	**0**	**0**	**0**	**- 247**	*- 1 751*	*837*	*387*	*29*	*0*	*0*	*0*	*0*	*0*	**- 499**	**- 746**	0	0	**- 746**
Balance at the beginning of the period after impact IFRS 9	**1 456**	**5 467**	**- 5**	**9 854**	*0*	*837*	*387*	*29*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**- 116**	**16 657**	1 400	0	**18 057**
Net result for the period	**0**	**0**	**0**	**2 570**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**2 570**	0	0	**2 570**
Other comprehensive income for the period	**0**	**0**	**0**	**- 2**	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	**- 489**	**- 491**	0	0	**- 491**
Subtotal	**0**	**0**	**0**	**2 568**	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	**- 489**	**2 079**	0	0	**2 079**
Dividends	**0**	**0**	**0**	**- 1 253**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 1 253**	0	0	**- 1 253**
Coupon on additional tier-1 instruments	**0**	**0**	**0**	**- 70**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 70**	0	0	**- 70**
Capital increase	**1**	**15**	**0**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**16**	0	0	**16**
Transfer from revaluation reserves to retained earnings upon realisation	**0**	**0**	**0**	**- 12**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 12**	0	0	**- 12**
Issue of additional Tier-1 instruments included in equity	**0**	**0**	**0**	**- 5**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 5**	1 000	0	**995**
Purchase/sale of treasury shares	**0**	**0**	**- 179**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 179**	0	0	**- 179**
Liquidation of treasury shares	**0**	**0**	**181**	**- 181**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Total change	**1**	**15**	**2**	**1 047**	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	**- 489**	**576**	1 000	0	**1 576**
Balance at the end of the period	**1 457**	**5 482**	**- 3**	**10 901**	*0*	*586*	*159*	*22*	*- 1 263*	*- 73*	*86*	*- 119*	*- 3*	**- 605**	**17 233**	2 400	0	**19 633**
of which relating to application of the equity method					*0*	*5*	*0*	*1*	*0*	*14*	*0*	*0*	*0*	***20***	***20***			***20***

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (AFS assets)*	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay approach*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cashflow hedges)*	*Translation differences*	*Hedge of net investments in foreign operations*	*Remeasure-ment of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
31-03-2018																		
Balance at the end of the previous period	**1 456**	**5 467**	**- 5**	**10 101**	*1 751*	*0*	*0*	*0*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**383**	**17 403**	1 400	0	**18 803**
Impact of the first-time adoption of IFRS 9	**0**	**0**	**0**	**- 247**	*- 1 751*	*837*	*387*	*29*	*0*	*0*	*0*	*0*	*0*	**- 499**	**- 746**	0	0	**- 746**
Balance at the beginning of the period after impact IFRS 9	**1 456**	**5 467**	**- 5**	**9 854**	0	837	387	29	- 1 339	- 11	45	- 52	- 10	**- 116**	**16 658**	1 400	0	**18 057**
Net result for the period	**0**	**0**	**0**	**556**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**556**	0	0	**556**
Other comprehensive income for the period	**0**	**0**	**0**	**- 1**	*0*	*- 34*	*- 88*	*3*	*48*	*0*	*- 1*	*- 3*	*0*	**- 74**	**- 74**	0	0	**- 74**
Subtotal	**0**	**0**	**0**	**555**	*0*	*- 34*	*- 88*	*3*	*48*	*0*	*- 1*	*- 3*	*0*	**- 74**	**482**	0	0	**482**
Dividends	**0**	**0**	**0**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Coupon on additional tier-1 instruments	**0**	**0**	**0**	**- 14**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 14**	0	0	**- 14**
Transfer from revaluation reserves to retained earnings upon realisation	**0**	**0**	**0**	**- 7**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 7**	0	0	**- 7**
Purchase/sale of treasury shares	**0**	**0**	**1**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**1**	0	0	**1**
Total change	**0**	**0**	**1**	**535**	*0*	*- 34*	*- 88*	*3*	*48*	*0*	*- 1*	*- 3*	*0*	**- 74**	**462**	0	0	**462**
Balance at the end of the period	**1 456**	**5 467**	**- 4**	**10 389**	0	803	300	32	- 1 291	- 11	44	- 55	- 10	**- 189**	**17 119**	1 400	0	**18 519**
of which relating to application of the equity method					*0*	*9*	*0*	*1*	*0*	*16*	*0*	*0*	*0*	***27***	***27***			***27***

The 'Dividends' item in 2018 includes:

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

Please note that, for 2018, the General Meeting of Shareholders approved on 2 May 2019 that the closing dividend for 2018 will amount to 2.50 euros per share (a total of 1 040 million euros will be deducted from retained earnings in 2Q 2019, see also note Post balance sheet events).

On February 26, 2019 KBC Group NV placed 500 million euros Additional Tier-1 securities. This AT1 instrument is a 5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.75% per annum, payable semi-annual. On 19 March 2019, KBC called the Additional Tier-1 (AT1) instrument it issued in 2014, which had a nominal value of 1.4 billion euros. For more information see note ‘Parent shareholders equity and AT1 instruments‘ (note 5.10) further in this report.

Consolidated cash flow statement

(in millions of EUR)	1Q 2019	1Q 2018
Cash and cash equivalents at the beginning of the period	34 354	40 413
Net cash from (used in) operating activities	5 539	11 341
Net cash from (used in) investing activities	- 391	942
Net cash from (used in) financing activities	- 647	- 148
Effects of exchange rate changes on opening cash and cash equivalents	- 64	78
Cash and cash equivalents at the end of the period	38 790	52 627

The positive net cash from operating activities in 1Q 2019 and 1Q 2018 is mainly thanks to higher deposits.

Net cash from (used in) investing activities of 1Q 2019 (-391 million euros) is related to additional investments in debt securities at amortised cost, while Net cash from (used in) investing activities of 1Q 2018 (+942 million euros) was affected by debt securities at amortised cost that had reached maturity.

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

- The call by KBC Group NV of Additional Tier-1 instruments that had been issued in 2014, with a nominal value of 1.4 billion euros
- The issue of Additional Tier-1 instruments included in equity for 500 million euros

Notes on statement of compliance and changes in accounting policies

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

The condensed interim financial statements of the KBC Group for the first quarter ended 31 March 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

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

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

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

- IFRS 17:
  - In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by a specific adaptation for

contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 will become effective for reporting periods beginning on or after 1 January 2022 (subject to EU endorsement), with comparative figures being required. An impact study is an inherent part of the IFRS 17 project that is currently underway at KBC.

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

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

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

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

Notes on segment reporting

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

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

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	Of which: Hungary	Slovakia	Bulgaria	Ireland	Group Centre	KBC Group
1Q 2019									
Net interest income	625	302	213	*62*	*52*	*35*	*65*	- 11	**1 129**
Non-life insurance (before reinsurance)	94	29	35	*12*	*7*	*16*	*0*	3	**161**
Earned premiums	270	66	77	*37*	*11*	*29*	*0*	2	**415**
Technical charges	- 175	- 37	- 42	*- 26*	*- 4*	*- 12*	*0*	1	**- 254**
Life insurance (before reinsurance)	- 25	14	9	*2*	*3*	*4*	*0*	0	**- 3**
Earned premiums	268	56	27	*4*	*11*	*11*	*0*	0	**351**
Technical charges	- 293	- 42	- 18	*- 3*	*- 8*	*- 7*	*0*	0	**- 354**
Ceded reinsurance result	8	- 3	- 2	*- 1*	*0*	*- 2*	*0*	- 10	**- 7**
Dividend income	11	0	0	*0*	*0*	*0*	*0*	1	**12**
Net result from financial instruments at fair value through profit or loss	54	- 3	10	*10*	*0*	*4*	*- 3*	38	**99**
Net realised result from debt instruments at fair value through OCI	0	0	1	*0*	*1*	*0*	*0*	0	**2**
Net fee and commission income	286	58	68	*48*	*15*	*6*	*- 1*	- 2	**410**
Net other income	45	13	3	*1*	*2*	*0*	*0*	- 2	**59**
TOTAL INCOME	1 099	410	336	*133*	*80*	*63*	*60*	17	**1 862**
Operating expenses	- 807	- 204	- 260	*- 102*	*- 55*	*- 47*	*- 56*	- 24	**- 1 296**
Impairment	- 83	1	7	*0*	*- 3*	*- 2*	*12*	6	**- 69**
on financial assets at amortised cost and at fair value through OCI	- 82	2	8	*0*	*- 3*	*- 2*	*12*	6	**- 67**
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	**0**
other	- 1	0	0	*0*	*0*	*0*	*0*	0	**- 1**
Share in results of associated companies and joint ventures	- 1	4	1	*0*	*0*	*0*	*0*	0	**5**
RESULT BEFORE TAX	208	212	85	*31*	*23*	*15*	*16*	- 2	**503**
Income tax expense	- 32	- 35	- 15	*- 6*	*- 5*	*- 2*	*- 2*	9	**- 73**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	176	177	70	*25*	*18*	*13*	*14*	7	**430**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	176	177	70	*25*	*18*	*13*	*14*	7	**430**
1Q 2018									
Net interest income	649	248	226	*61*	*52*	*39*	*75*	2	**1 125**
Non-life insurance (before reinsurance)	103	27	26	*11*	*6*	*10*	*0*	5	**162**
Earned premiums	259	57	58	*26*	*10*	*23*	*0*	3	**378**
Technical charges	- 156	- 30	- 32	*- 15*	*- 4*	*- 13*	*0*	2	**- 216**
Life insurance (before reinsurance)	- 27	15	6	*1*	*3*	*1*	*0*	0	**- 7**
Earned premiums	251	60	25	*4*	*14*	*6*	*0*	0	**336**
Technical charges	- 278	- 46	- 19	*- 3*	*- 11*	*- 5*	*0*	0	**- 343**
Ceded reinsurance result	- 4	- 3	- 2	*- 1*	*- 1*	*- 1*	*0*	0	**- 9**
Dividend income	21	0	0	*0*	*0*	*0*	*0*	1	**21**
Net result from financial instruments at fair value through profit or loss	34	40	18	*14*	*3*	*2*	*- 1*	4	**96**
Net realised result from debt instruments at fair value through OCI	0	0	1	*0*	*0*	*1*	*0*	0	**1**
Net fee and commission income	318	67	68	*46*	*14*	*9*	*0*	- 2	**450**
Net other income	59	4	8	*7*	*1*	*- 1*	*0*	1	**71**
TOTAL INCOME	1 153	398	350	*139*	*78*	*60*	*74*	11	**1 912**
Operating expenses	- 822	- 189	- 252	*- 103*	*- 52*	*- 46*	*- 51*	- 27	**- 1 291**
Impairment	- 13	- 7	61	*6*	*4*	*9*	*43*	16	**56**
on financial assets at amortised cost and at fair value through OCI	- 14	- 1	61	*6*	*4*	*9*	*43*	16	**63**
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	**0**
other	0	- 6	0	*0*	*0*	*0*	*0*	0	**- 6**
Share in results of associated companies and joint ventures	- 1	6	2	*0*	*0*	*1*	*0*	0	**6**
RESULT BEFORE TAX	316	207	160	*41*	*29*	*23*	*66*	0	**683**
Income tax expense	- 73	- 36	- 24	*- 7*	*- 6*	*- 2*	*- 8*	6	**- 127**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	243	171	137	*34*	*23*	*21*	*57*	5	**556**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	243	171	137	*34*	*23*	*21*	*57*	5	**556**

Other notes

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

(in millions of EUR)	1Q 2019	4Q 2018	1Q 2018
Total	1 129	1 166	1 125
Interest income	1 821	1 848	1 682
Interest income on financial instruments calculated using the effective interest rate method			
Financial assets at AC	1 360	1 358	1 282
Financial assets at FVOCI	88	97	100
Hedging derivatives	119	82	50
Other assets not at fair value	19	22	19
Interest income on other financial instruments			
Financial assets MFVPL other than held for trading	1	2	2
Financial assets held for trading	233	288	229
Of which economic hedges	*226*	*280*	*223*
Other financial assets at FVPL	0	0	0
Interest expense	- 692	- 682	- 557
Interest expense on financial instruments calculated using the effective interest rate method			
Financial liabilities at AC	- 340	- 349	- 255
Hedging derivatives	- 164	- 155	- 103
Other	- 25	- 28	- 30
Interest expense on other financial instruments			
Financial liabilities held for trading	- 152	- 140	- 161
Of which economic hedges	*- 144*	*- 133*	*- 154*
Other financial liabilities at FVPL	- 9	- 8	- 6
Net interest expense relating to defined benefit plans	- 2	- 2	- 1

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

The result from financial instruments at fair value through profit or loss in 1Q 2019 is 97 million euros higher compared to 4Q 2018. The quarter-on-quarter increase is due to:

- Limited market value adjustments in 1Q 2019 compared to very negative market value adjustments in 4Q 2018 (resulting from changes in the underlying market value of the derivatives portfolio and increased credit and funding spreads in 4Q 2018)
- Positive net results on equity instruments (insurance) in 1Q 2019 compared to slightly negative results in 4Q 2018
- Higher dealing room income in Belgium

Partly compensated by

- Lower positive MTM ALM derivatives in 1Q19

Compared to 1Q 2018, the result from financial instruments at fair value through profit or loss is 3 million euros higher in 1Q 2019, for a large part explained by:

- Higher net results on equity instruments (insurance)
- More positive MTM ALM derivatives

Largely compensated by

- Several smaller miscellaneous items

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

(in millions of EUR)	1Q 2019	4Q 2018	1Q 2018
Total	410	407	450
Fee and commission income	588	602	648
Fee and commission expense	- 178	- 196	- 197
Breakdown by type			
Asset Management Services	264	255	299
Fee and commission income	277	271	313
Fee and commission expense	- 13	- 16	- 14
Banking Services	219	225	215
Fee and commission income	294	316	318
Fee and commission expense	- 76	- 91	- 102
Distribution	- 73	- 74	- 64
Fee and commission income	16	15	17
Fee and commission expense	- 89	- 89	- 81

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

(in millions of EUR)	1Q 2019	4Q 2018	1Q 2018
Total	59	76	71
of which gains or losses on	0	0	0
Sale of financial assets measured at amortised cost	3	- 2	1
Repurchase of financial liabilities measured at amortised cost	0	0	0
Other, including:	55	78	70
Income from (mainly operational) leasing activities, KBC Lease Group	11	15	17
Income from VAB Group	19	13	15
Settlement of legacy legal cases	6	33	18

Note : settlement of legacy legal cases concerns Czech Republic (6 million in 1Q 2019) and Belgium (in 1Q 2018 of 18 million euros and 4Q18 of 33 million euros).

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

(in millions of EUR)	Life	Non-life	Non-technical account	TOTAL
1Q 2019				
Earned premiums, insurance (before reinsurance)	351	420	-	771
Technical charges, insurance (before reinsurance)	- 354	- 255	-	- 608
Net fee and commission income	- 7	- 84	-	- 91
Ceded reinsurance result	0	- 7	-	- 7
General administrative expenses	- 49	- 64	- 1	- 113
Internal claims settlement expenses	- 2	- 15	0	- 17
Indirect acquisition costs	- 8	- 18	0	- 25
Administrative expenses	- 39	- 31	0	- 70
Investment management fees	0	0	- 1	- 1
Technical result	- 58	11	- 1	- 48
Investment Income (*)	126	22	11	159
Technical-financial result	68	33	10	110
Share in results of associated companies and joint ventures	–	–	1	1
RESULT BEFORE TAX	68	33	12	112
Income tax expense	–	–	–	- 15
RESULT AFTER TAX	–	–	–	97
attributable to minority interest	–	–	–	0
attributable to equity holders of the parent	–	–	–	96
1Q 2018				
Earned premiums, insurance (before reinsurance)	336	384	-	720
Technical charges, insurance (before reinsurance)	- 343	- 216	-	- 559
Net fee and commission income	- 2	- 75	-	- 77
Ceded reinsurance result	0	- 9	-	- 9
General administrative expenses	- 48	- 61	- 1	- 109
Internal claims settlement expenses	- 2	- 14	0	- 16
Indirect acquisition costs	- 8	- 18	0	- 26
Administrative expenses	- 38	- 29	0	- 67
Investment management fees	0	0	- 1	- 1
Technical result	- 56	23	- 1	- 34
Investment Income	131	20	13	164
Technical-financial result	75	42	12	130
Share in results of associated companies and joint ventures	–	–	1	1
RESULT BEFORE TAX	75	42	13	131
Income tax expense	–	–	–	- 28
RESULT AFTER TAX	–	–	–	102
attributable to minority interest	–	–	–	0
attributable to equity holders of the parent	–	–	–	102

(*) 1Q 2019 consists of (in millions of EUR): Net interest income (118), Net Dividend income (7), Net result from financial instruments at fair value through profit and loss (32), Net realised result from debt instruments at fair value through OCI (1), Net other income (1) and Impairment (0). The non-technical account includes also results of non-insurance companies such as VAB group and ADD.

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

The technical result non-life was negatively impacted by storms in Belgium and Czech Republic in 1Q 2019 for an amount of about -41 million euros (pre-tax; before reinsurance) and large fire claims in Belgium of -20 million euros (pré-tax, before reinsurance).

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

The operating expenses for 1Q 2019 include 382 million euros related to bank (and insurance) levies (41 million euros in 4Q 2018; 371 million euros in 1Q 2018). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

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

(in millions of EUR)	1Q 2019	4Q 2018	1Q 2018
Total	**- 69**	**- 43**	**56**
Impairment on financial assets at AC and at FVOCI	**- 67**	**- 30**	**63**
Of which impairment on financial assets at AC	**- 68**	**- 30**	**63**
By product			
Loans and advances	- 62	- 39	47
Debt securities	- 1	- 1	0
Off-balance-sheet commitments and financial guarantees	- 5	9	15
By type			
Stage 1 (12-month ECL)	- 2	- 2	- 3
Stage 2 (lifetime ECL)	8	4	34
Stage 3 (non-performing; lifetime ECL)	- 70	- 31	34
Purchased or originated credit impaired assets	- 3	- 2	- 2
Of which impairment on financial assets at FVOCI	**0**	**0**	**0**
Debt securities	0	0	0
Stage 1 (12-month ECL)	- 1	0	0
Stage 2 (lifetime ECL)	1	0	0
Stage 3 (non-performing; lifetime ECL)	0	0	0
Impairment on goodwill	**0**	**0**	**0**
Impairment on other	**- 1**	**- 13**	**- 6**
Intangible fixed assets (other than goodwill)	0	0	0
Property, plant and equipment (including investment property)	0	- 13	- 6
Associated companies and joint ventures	0	0	0
Other	- 1	0	0

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

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

In Belgium, the tax rate has decreased from 33,99% in 2017 to 29,58% in 2018 (applying to the Belgian group companies), while a 100% exemption for dividends received has been introduced (instead of 95%), partly offset by the negative impact of some offsetting measures.

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

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through OCI (FVOCI)	Mandatorily measured at FVPL (other than held for trading) (MFVPL excl. HFT)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL ASSETS, 31-03-2019							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 221	0	0	1	0	0	5 222
Loans and advances to customers (excl. reverse repos)	148 418	0	85	1	13	0	148 517
Trade receivables	4 333	0	0	0	0	0	4 333
Consumer credit	4 137	0	0	0	0	0	4 137
Mortgage loans	61 493	0	71	0	0	0	61 564
Term loans	66 632	0	13	0	13	0	66 658
Finance lease	5 553	0	0	0	0	0	5 553
Current account advances	5 235	0	0	0	0	0	5 235
Other	1 034	0	0	1	0	0	1 035
Reverse repos	27 568	0	0	641	0	0	28 209
with credit institutions and investment firms	27 183	0	0	641	0	0	27 824
with customers	385	0	0	0	0	0	385
Equity instruments	0	272	1 293	900	0	0	2 464
Investment contracts (insurance)	0	0	14 261	0	0	0	14 261
Debt securities issued by	42 039	18 091	106	1 006	0	0	61 242
Public bodies	36 305	11 754	0	899	0	0	48 958
Credit institutions and investment firms	3 122	2 753	0	67	0	0	5 942
Corporates	2 613	3 584	106	39	0	0	6 341
Derivatives	0	0	0	5 395	0	178	5 573
Other	783	0	0	5	0	0	788
Total	224 030	18 363	15 744	7 948	13	178	266 276
FINANCIAL ASSETS, 31-12-2018							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 069	0	0	0	0	0	5 070
Loans and advances to customers (excl. reverse repos)	146 954	0	85	0	13	0	147 052
Trade receivables	4 197	0	0	0	0	0	4 197
Consumer credit	4 520	0	0	0	0	0	4 520
Mortgage loans	60 766	0	71	0	0	0	60 837
Term loans	65 717	0	14	0	13	0	65 744
Finance lease	5 618	0	0	0	0	0	5 618
Current account advances	5 527	0	0	0	0	0	5 527
Other	609	0	0	0	0	0	609
Reverse repos	21 133	0	0	0	0	0	21 134
with credit institutions and investment firms	20 976	0	0	0	0	0	20 977
with customers	157	0	0	0	0	0	157
Equity instruments	0	258	1 249	763	0	0	2 271
Investment contracts (insurance)	0	0	13 837	0	0	0	13 837
Debt securities issued by	41 649	18 020	54	714	0	0	60 437
Public bodies	35 710	12 025	0	557	0	0	48 292
Credit institutions and investment firms	3 032	2 579	0	76	0	0	5 687
Corporates	2 907	3 417	54	81	0	0	6 458
Derivatives	0	0	0	4 942	0	183	5 124
Other	1 986	0	0	6	0	0	1 992
Total	216 792	18 279	15 224	6 426	13	183	256 916

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-03-2019					
Deposits from credit institutions and investment firms (excl. repos)	25 899	0	0	-	25 899
Deposits from customers and debt securities (excl. repos)	195 492	231	2 263	-	197 987
Demand deposits	82 388	0	0	-	82 388
Time deposits	17 152	51	323	-	17 526
Savings accounts	61 385	0	0	-	61 385
Special deposits	2 423	0	0	-	2 423
Other deposits	650	0	0	-	650
Certificates of deposit	14 398	0	8	-	14 406
Savings certificates	1 577	0	0	-	1 577
Convertible bonds	0	0	0	-	0
Non-convertible bonds	13 127	180	1 740	-	15 047
Convertible subordinated liabilities	0	0	0	-	0
Non-convertible subordinated liabilities	2 392	0	193	-	2 585
Repos	3 737	121	0	-	3 858
with credit institutions and investment firms	2 014	109	0	-	2 123
with customers	1 723	12	0	-	1 735
Liabilities under investment contracts	0	-	13 334	-	13 334
Derivatives	-	4 816	0	1 251	6 067
Short positions	-	694	0	-	694
In equity instruments	-	20	0	-	20
In debt securities	-	674	0	-	674
Other	2 967	0	0	-	2 967
Total	228 095	5 863	15 598	1 251	250 806

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

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

(in millions of EUR)	31-03-2019 Carrying value before impairment	Impairment	Carrying value after impairment	31-12-2018 Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances	184 734	- 3 527	181 207	176 680	- 3 523	173 157
Stage 1 (12-month ECL)	161 538	- 113	161 425	153 081	- 113	152 969
Stage 2 (lifetime ECL)	16 755	- 300	16 455	16 983	- 305	16 678
Stage 3 (lifetime ECL)	6 309	- 3 075	3 234	6 461	- 3 062	3 399
Purchased or originated credit impaired assets (POCI)	133	- 38	94	154	- 42	112
Debt Securities	42 052	- 12	42 039	41 660	- 11	41 649
Stage 1 (12-month ECL)	41 979	- 6	41 973	41 409	- 5	41 405
Stage 2 (lifetime ECL)	65	- 1	64	244	- 1	243
Stage 3 (lifetime ECL)	7	- 6	2	7	- 6	2
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	18 096	- 5	18 091	18 026	- 6	18 020
Stage 1 (12-month ECL)	17 949	- 5	17 944	17 585	- 4	17 581
Stage 2 (lifetime ECL)	148	- 1	147	441	- 2	439
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

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

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

(in millions of EUR) Fair value hierarchy	31-03-2019 Level 1	Level 2	Level 3	Total	31-12-2018 Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	15 142	441	160	15 744	14 645	423	156	15 224
Held for trading	1 414	5 432	1 102	7 948	1 018	4 412	996	6 426
Designated upon initial recognition at fair value through profit or loss (FVO)	0	13	0	13	0	13	0	13
At fair value through OCI	13 660	4 252	451	18 363	13 773	4 066	441	18 280
Hedging derivatives	0	178	0	178	0	183	0	183
Total	30 216	10 316	1 713	42 245	29 436	9 096	1 593	40 125
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	660	3 406	1 796	5 863	831	3 457	1 545	5 834
Designated at fair value	13 307	899	1 392	15 598	12 931	856	1 223	15 010
Hedging derivatives	0	1 251	0	1 251	0	1 111	0	1 111
Total	13 967	5 556	3 188	22 711	13 763	5 424	2 768	21 955

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

During the first 3 months of 2019, KBC transferred 304 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 289 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government bonds and corporate bonds.

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

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

- Financial assets held for trading: the fair value of derivatives increased by 112 million euros, due primarily to changes in fair value and new transactions, partly offset by instruments that had reached maturity.
- Financial liabilities held for trading: the fair value of derivatives increased by 247 million euros, due primarily to changes in fair value and new positions, partly offset by instruments that had reached maturity.
- Financial liabilities measured at fair value through profit and loss: the fair value of issued debt instruments increased by 169 million euros, mainly on account of new issues reinforced by changes in fair value.

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

Quantities	31-03-2019	31-12-2018
Ordinary shares	**416 155 676**	**416 155 676**
of which ordinary shares that entitle the holder to a dividend payment	*416 155 676*	*416 155 676*
of which treasury shares	*43 490*	*50 284*
Additional information		
Par value per share (in EUR)	3,51	3,51
Number of shares issued but not fully paid up	0	0

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

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

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

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

<u>In 1Q 2019 :</u> no material changes

<u>In 2018 (both in 1Q 2018) :</u>

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

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

Significant non-adjusting events between the balance sheet date (31 March 2019) and the publication of this report (16 May 2019):

On 11 April 2019 KBC Bank Ireland reached agreement to sell its legacy performing corporate loan portfolio of roughly 260 million euros to Bank of Ireland. The transaction, which is expected to close by mid-2019, will have a negligible impact on KBC Group's P&L and capital ratio.

On 15 April 2019 ČSOB, the Czech division of KBC Group, and Germany's Bausparkasse Schwäbisch Hall (BSH) reached agreement for ČSOB to acquire BSH's 45% stake in the Czech building savings bank Českomoravská stavební spořitelna (ČMSS). The acquisition of the remaining 45% of CMSS in the Czech Republic is expected to close before the end of 2Q19. The transaction will have an impact of approximately -0.3 percentage points on KBC Group's strong CET1 ratio. The revaluation of KBCs 55% stake in CMSS (in accordance with IFRS 3) will lead to a one-off profit and loss gain for KBC, estimated at approximately 80m EUR.

For 2018 the board of directors has proposed to the general meeting of shareholders, which was approved on 2 May 2019, that a closing dividend of 2.50 euros is paid out per share entitled to dividend (1 040 million euros in total). This closing dividend will be deducted from retained earnings in 2Q 2019. At that time this will also negatively impact the net cash (flow) from financing activities.

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2019 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 2019 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 292.332 million and a consolidated profit (share of the Group) for the three-month period then ended of EUR 430 million.

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

Scope of Review

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

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Conclusion

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

Sint-Stevens-Woluwe, 15 May 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 1Q 2019

Section not reviewed by the Auditor

Credit risk

Snapshot of the loan portfolio (banking activities)

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

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-03-2019	31-12-2018
Portfolio outstanding + undrawn [1]	206	205
Portfolio outstanding [1]	166	165
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	66%	66%
Czech Republic	16%	16%
International Markets	16%	16%
Group Centre	2%	2%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	39.9%	39.9%
Finance and insurance	7.2%	7.4%
Authorities	3.2%	3.5%
Corporates	49.7%	49.2%
services	11.3%	11.2%
distribution	7.5%	7.5%
real estate	6.6%	6.6%
building & construction	4.1%	4.1%
agriculture, farming, fishing	2.7%	2.7%
automotive	2.5%	2.5%
food producers	1.7%	1.7%
electricity	1.7%	1.6%
metals	1.6%	1.6%
chemicals	1.4%	1.3%
machinery & heavy equipment	1.0%	1.1%
traders	1.0%	0.9%
shipping	0.9%	0.9%
hotels, bars & restaurants	0.7%	0.7%
textile & apparel	0.6%	0.6%
electrotechnics	0.6%	0.6%
oil, gas & other fuels	0.6%	0.6%
timber & wooden furniture	0.5%	0.4%
other [2]	2.8%	2.6%
Total outstanding loan portfolio geographical breakdown		
Home countries	86.1%	86.6%
Belgium	54.7%	55.0%
Czech Republic	14.9%	15.0%
Ireland	6.5%	6.5%
Slovakia	4.9%	5.0%
Hungary	3.2%	3.2%
Bulgaria	2.0%	2.0%
Rest of Western Europe	8.6%	7.9%
France	2.0%	2.0%
Netherlands	1.7%	1.7%
Great Britain	1.2%	1.1%
Spain	0.4%	0.5%
Luxemburg	0.9%	0.7%
Germany	0.7%	0.7%
other	1.6%	1.3%
Rest of Central Europe	0.4%	0.5%
Russia	0.1%	0.1%
other	0.3%	0.4%
North America	1.4%	1.4%
USA	1.1%	1.1%
Canada	0.4%	0.3%
Asia	1.6%	1.6%
China	1.0%	0.9%
Hong Kong	0.2%	0.2%
Singapore	0.2%	0.2%
other	0.3%	0.3%
Rest of the world	1.8%	1.9%

	31-03-2019	31-12-2018
Loan portfolio by IFRS-9 ECL stage (part of portfolio, as % of the portfolio of credit outstanding)		
Stage 1 (credit risk has not increased significantly since initial recognition)	84%	84%
of which: PD 1 - 4	61%	63%
of which: PD 5 - 9 including unrated	23%	21%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	12%	12%
of which: PD 1 - 4	4%	4%
of which: PD 5 - 9 including unrated	7%	8%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	4%	4%
of which: PD 10 impaired loans	2%	2%
of which: more than 90 days past due (PD 11+12)	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	7 108	7 151
of which: more than 90 days past due	4 059	4 099
Ratio of impaired loans, per business unit		
Belgium	2.6%	2.6%
Czech Republic	2.4%	2.4%
International Markets	11.8%	12.2%
Group Centre	12.7%	12.0%
Total	4.3%	4.3%
of which: more than 90 days past due	2.4%	2.5%
Stage 3 loan loss impairments (in millions of EUR) and Cover ratio (%)		
Stage 3 loan loss impairments	3 233	3 203
of which: more than 90 days past due	2 664	2 695
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	45%	45%
of which: more than 90 days past due	66%	66%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	50%	49%
of which: more than 90 days past due	73%	74%
Credit cost, by business unit (%)		
Belgium	0.30%	0.09%
Czech Republic	-0.02%	0.03%
International Markets	-0.11%	-0.46%
Slovakia	0.13%	0.06%
Hungary	0.00%	-0.18%
Bulgaria	0.20%	-0.31%
Ireland	-0.44%	-0.96%
Group Centre	-0.60%	-0.83%
Total	0.16%	-0.04%

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

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

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

Loan portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium
31-03-2019, in millions of EUR

	Belgium [1]			**Foreign branches**			**Total Business Unit Belgium**		
Total portfolio outstanding	**101 679**			**7 663**			**109 342**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	35 422	34.8%		7 663	100.0%		43 085	39.4%	
retail	66 258	65.2%		0	0.0%		66 258	60.6%	
o/w private	35 786	35.2%		0	0.0%		35 786	32.7%	
o/w companies	30 471	30.0%		0	0.0%		30 471	27.9%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	34 070	33.5%	57%	0	0.0%	-	34 070	31.2%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w ind. LTV > 100%	805	0.8%	-	0	0.0%	-	805	0.7%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	77 076	75.8%		4 778	62.4%		81 854	74.9%	
medium risk (PD 5-7; 0.80%-6.40%)	18 484	18.2%		2 554	33.3%		21 038	19.2%	
high risk (PD 8-9; 6.40%-100.00%)	3 080	3.0%		122	1.6%		3 201	2.9%	
impaired loans (PD 10 - 12)	2 627	2.6%		201	2.6%		2 828	2.6%	
unrated	414	0.4%		8	0.1%		422	0.4%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 627	1 058	40.3%	201	133	66.1%	2 828	1 191	42.1%
o/w PD 10 impaired loans	1 423	293	20.6%	119	71	59.6%	1 542	363	23.6%
o/w more than 90 days past due (PD 11+12)	1 203	766	63.6%	83	62	75.4%	1 286	828	64.4%
all impairments (stage 1+2+3)	n.a.			n.a.			1 389		
o/w stage 1+2 impairments (incl. POCI)	n.a.			n.a.			198		
o/w stage 3 impairments (incl. POCI)	1 058			133			1 191		
2018 Credit cost ratio (CCR)	0.10%			-0.05%			0.09%		
YTD 2019 CCR	0.33%			-0.06%			0.30%		

Remarks

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

Loan portfolio Business Unit Czech Republic

31-03-2019, in millions of EUR				For information: ČMSS [2] *(consolidated via equity-method)*		
Total portfolio outstanding	**25 996**			**2 495**		
Counterparty break down		% outst.			% outst.	
SME / corporate	8 197	31.5%		0	0.0%	
retail	17 799	68.5%		2 495	100.0%	
o/w private	13 023	50.1%		2 483	99.5%	
o/w companies	4 777	18.4%		11	0.5%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV
total	11 740	45.2%	62%	1 963	78.7%	60%
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w ind. LTV > 100%	234	0.9%	-	38	1.5%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	13 931	53.6%		1 732	69.4%	
medium risk (PD 5-7; 0.80%-6.40%)	10 408	40.0%		539	21.6%	
high risk (PD 8-9; 6.40%-100.00%)	1 017	3.9%		114	4.6%	
impaired loans (PD 10 - 12)	612	2.4%		110	4.4%	
unrated	28	0.1%		0	0.0%	
Overall risk indicators [1]		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	612	290	47.4%	110	47	42.8%
o/w PD 10 impaired loans	279	60	21.6%	21	3	15.4%
o/w more than 90 days past due (PD 11+12)	333	230	69.0%	89	44	49.2%
all impairments (stage 1+2+3)	374			55		
o/w stage 1+2 impairments (incl. POCI)	84			8		
o/w stage 3 impairments (incl. POCI)	290			47		
2018 Credit cost ratio (CCR)	0.03%			0.15%		
YTD 2019 CCR	-0.02%			0.11%		

[1] CCR at country level in local currency

[2] ČMSS: pro-rata figures, corresponding with KBC's 55%-participation in ČMSS

Loan portfolio Business Unit International Markets
31-03-2019, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 628**			**7 904**			**5 244**			**3 294**			**27 069**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	340	3.2%		3 018	38.2%		3 233	61.7%		1 028	31.2%		7 618	28.1%	
retail	10 288	96.8%		4 886	61.8%		2 010	38.3%		2 266	68.8%		19 450	71.9%	
o/w private	10 274	96.7%		3 961	50.1%		1 846	35.2%		1 281	38.9%		17 362	64.1%	
o/w companies	13	0.1%		925	11.7%		165	3.1%		985	29.9%		2 088	7.7%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	10 214	96.1%	68%	3 461	43.8%	65%	1 641	31.3%	66%	669	20.3%	71%	15 986	59.1%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	8	0.2%	119%	93	2.8%	67%	102	0.4%	
o/w ind. LTV > 100%	927	8.7%	-	29	0.4%	-	141	2.7%	-	40	1.2%	-			
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	945	8.9%		5 052	63.9%		2 598	49.5%		945	28.7%		9 540	35.2%	
medium risk (PD 5-7; 0.80%-6.40%)	6 263	58.9%		2 126	26.9%		2 266	43.2%		1 588	48.2%		12 243	45.2%	
high risk (PD 8-9; 6.40%-100.00%)	1 011	9.5%		531	6.7%		189	3.6%		286	8.7%		2 018	7.5%	
impaired loans (PD 10 - 12)	2 409	22.7%		152	1.9%		189	3.6%		454	13.8%		3 204	11.8%	
unrated	0	0.0%		43	0.5%		1	0.0%		20	0.6%		64	0.2%	
Overall risk indicators [1]		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 409	944	39.2%	152	113	74.4%	189	103	54.3%	454	219	48.2%	3 204	1 378	43.0%
o/w PD 10 impaired loans	1 003	90	8.9%	24	11	45.2%	42	13	30.2%	69	11	16.2%	1 137	124	10.9%
o/w more than 90 days past due (PD 11+12)	1 406	854	60.7%	128	102	79.9%	148	90	61.1%	385	208	53.9%	2 067	1 254	60.7%
all impairments (stage 1+2+3)	980			163			125			244			1 512		
o/w stage 1+2 impairments (incl. POCI)	37			50			22			25			134		
o/w stage 3 impairments (incl. POCI)	944			113			103			219			1 378		
2018 Credit cost ratio (CCR)	-0.96%			0.06%			-0.18%			-0.31%			-0.46%		
YTD 2019 CCR	-0.44%			0.13%			0.00%			0.20%			-0.11%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre
31-03-2019, in millions of EUR

	Total Group Centre [1]		
Total portfolio outstanding	**3 648**		
Counterparty break down		% outst.	
SME / corporate	3 648	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	0	0.0%	-
o/w ind. LTV > 100%	0	0.0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 823	77.4%	
medium risk (PD 5-7; 0.80%-6.40%)	308	8.4%	
high risk (PD 8-9; 6.40%-100.00%)	53	1.4%	
impaired loans (PD 10 - 12)	464	12.7%	
unrated	0	0.0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	464	364	78.4%
o/w PD 10 impaired loans	91	12	12.9%
o/w more than 90 days past due (PD 11+12)	373	352	94.4%
all impairments (stage 1+2+3)	394		
o/w stage 1+2 impairments (incl. POCI)	30		
o/w stage 3 impairments (incl. POCI)	364		
2018 Credit cost ratio (CCR)	-0.83%		
YTD 2019 CCR	-0.60%		

Remarks

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

Solvency

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

Solvency KBC Group

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

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

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

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

Note that as from 01/01/2018 onwards, there is no difference anymore between fully loaded and phased-in.

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

31/03/2019		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	15 112	96 527	15,7%
Deduction Method	Fully loaded	14 158	91 182	15,5%
Financial Conglomerates Directive	Fully loaded	16 030	109 285	14,7%

Danish Compromise

In millions of EUR	31-03-2019 Fully loaded	31-12-2018 Fully loaded
Total regulatory capital (after profit appropriation)	18 671	18 217
Tier-1 capital	16 612	16 150
Common equity	15 112	15 150
Parent shareholders' equity (after deconsolidating KBC Insurance)	16 948	16 992
Intangible fixed assets (incl deferred tax impact) (-)	- 595	- 584
Goodwill on consolidation (incl deferred tax impact) (-)	- 602	- 602
Minority interests	0	0
Hedging reserve (cash flow hedges) (-)	1 327	1 263
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 10	- 14
Value adjustment due to the requirements for prudent valuation (-)	- 59	- 63
Dividend payout (-)	- 1 040	- 1 040
Share buyback (part not yet executed) (-)	0	0
Renumeration of AT1 instruments (-)	- 14	- 7
Deduction re. financing provided to shareholders (-)	- 91	- 91
Deduction re. Irrevocable payment commitments (-)	- 32	- 32
IRB provision shortfall (-)	- 126	- 100
Deferred tax assets on losses carried forward (-)	- 594	- 571
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0
Additional going concern capital	1 500	1 000
Grandfathered innovative hybrid tier-1 instruments	0	0
Grandfathered non-innovative hybrid tier-1 instruments	0	0
CRR compliant AT1 instruments (**)	1 500	1 000
Minority interests to be included in additional going concern capital	0	0
Tier 2 capital	2 059	2 067
IRB provision excess (+)	202	204
Subordinated liabilities	1 857	1 864
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier 2 capital	0	0
Total weighted risk volume	96 527	94 875
Banking	87 132	85 474
Insurance	9 133	9 133
Holding activities	271	302
Elimination of intercompany transactions	- 10	- 34
Solvency ratios		
Common equity ratio	15,66% (*)	15,97%
Tier-1 ratio	17,21%	17,02%
Total capital ratio	19,34%	19,20%

(*) In anticipation of further clarification and reaching agreement upon our approach re. the interim profit recognition process going forward with ECB, no interim profit has been recognised for 1Q19. When including 1Q19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.8% at the end of 1Q19
(**) On February 26, 2019 KBC Group NV placed 500 million euros in non-dilutive, Additional Tier-1 securities. This AT1 instrument is a 5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.75% per annum, payable semi-annual

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	31-03-2019	31-12-2018
Tier-1 capital (Danish compromise)	16 612	16 150
Total exposures	274 613	266 594
Total Assets	292 332	283 808
Deconsolidation KBC Insurance	-32 321	-31 375
Adjustment for derivatives	-3 333	-3 105
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 099	-2 043
Adjustment for securities financing transaction exposures	1 171	408
Off-balance sheet exposures	18 863	18 900
Leverage ratio	6,05%	6,06%

Solvency banking and insurance activities separately

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

KBC Bank consolidated - CRDIV/CRR (in millions of EUR)	31-03-2019 Fully loaded	31-12-2018 Fully loaded
Total regulatory capital, after profit appropriation	16 214	15 749
Tier-1 capital (*)	14 096	13 625
Of which common equity (**)	*12 588*	*12 618*
Tier-2 capital	2 119	2 124
Total weighted risks	87 132	85 474
Credit risk	72 878	71 224
Market risk	3 103	3 198
Operational risk	11 148	11 051
Solvency ratios		
Common equity ratio	14,4%	14,8%
Tier-1 ratio	16,2%	15,9%
CAD ratio	18,6%	18,4%

(*) On February 26, 2019 KBC Group NV placed 500 million euros in non-dilutive, Additional Tier-1 securities. This AT1 instrument is a 5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.75% per annum, payable semi-annual
(**) In anticipation of further clarification and reaching agreement upon our approach re. the interim profit recognition process going forward with ECB, no interim profit has been recognised for 1Q19.

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-03-2019	31-12-2018
Own Funds	3 682	3 590
Tier 1	3 182	3 090
IFRS Parent shareholders equity	3 131	2 728
Dividend payout	- 225	- 132
Deduction intangible assets and goodwill (after tax)	- 124	- 124
Valuation differences (after tax)	242	341
Volatility adjustment	214	313
Other	- 57	- 35
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 751	1 651
Market risk	1 487	1 379
Non-life	556	557
Life	675	666
Health	190	190
Counterparty	126	111
Diversification	- 944	- 922
Other	- 338	- 331
Solvency II ratio	210%	217%

Minimum requirement for own funds and eligible liabilities (MREL)

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

At 31-03-2019, the MREL ratio based on instruments issued by KBC Group NV ('HoldCo MREL') stood at 24.4% of risk weighted assets. Based on the broader SRB definition including also eligible OpCo instruments, the MREL ratio amounts to 25.4% as % of RWA (9.7% as % of TLOF). SRB requires KBC to achieve 9.76% as % of TLOF (which is equivalent to 25.9% as % of RWA) by 01-05-2019 using both HoldCo and eligible OpCo instruments.

Taken into account the latest senior holdco issue of 500 million euros in April 2019, the pro-forma MREL ratio amounts to 26.0% as % of RWA (9.9% as % of TLOF).

Income statement, volumes and ratios per business unit

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

Business Unit Belgium						
(in millions of EUR)	**1Q 2019**	FY 2018	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	625	2 576	647	637	642	649
Non-life insurance before reinsurance	94	527	142	139	144	103
Earned premiums Non-life	270	1 070	275	271	265	259
Technical charges Non-life	-175	-543	-133	-133	-121	-156
Life insurance before reinsurance	-25	-110	-29	-32	-22	-27
Earned premiums Life	268	998	309	204	234	251
Technical charges Life	-293	-1 108	-338	-235	-257	-278
Ceded reinsurance result	8	-26	-11	-3	-8	-4
Dividend income	11	74	12	11	29	21
Net result from financial instruments at fair value through profit or loss	54	101	-40	53	54	34
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	286	1 182	273	289	302	318
Net other income	45	225	73	44	49	59
TOTAL INCOME	1 099	4 549	1 068	1 139	1 189	1 153
Operating expenses	-807	-2 484	-541	-559	-562	-822
Impairment	-83	-93	-49	-4	-26	-13
On financial assets at amortised cost and at FV through OCI	-82	-91	-48	-3	-26	-13
On other	-1	-2	-1	-1	0	0
Share in results of associated companies and joint ventures	-1	-8	-1	-3	-4	-1
RESULT BEFORE TAX	208	1 963	478	573	597	316
Income tax expense	-32	-513	-117	-164	-159	-73
RESULT AFTER TAX	176	1 450	361	409	437	243
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	176	1 450	361	409	437	243
Banking	102	1 071	279	325	302	165
Insurance	74	379	82	84	135	78
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	100 686	99 650	99 650	98 978	98 258	95 710
of which Mortgage loans (end of period)	35 234	35 049	35 049	34 775	34 627	34 548
Customer deposits and debt certificates excl. repos (end of period)	134 382	131 442	131 442	131 862	131 013	126 694
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	13 141	13 176	13 176	13 336	13 382	13 496
Unit-Linked (end of period)	13 156	12 774	12 774	13 272	13 269	13 160
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	49 403	48 120	48 120	47 207	46 848	46 553
Required capital, insurance (end of period)	1 506	1 421	1 421	1 567	1 560	1 570
Allocated capital (end of period)	6 792	6 522	6 522	6 571	6 526	6 505
Return on allocated capital (ROAC)	11%	22%	22%	25%	27%	15%
Cost/income ratio, banking	78%	58%	53%	51%	51%	76%
Combined ratio, non-life insurance	93%	87%	86%	86%	83%	93%
Net interest margin, banking	1,71%	1,72%	1,72%	1,69%	1,72%	1,73%

Business Unit Czech Republic (in millions of EUR)	1Q 2019	FY 2018	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	302	1 043	291	263	241	248
Non-life insurance before reinsurance	29	103	26	27	24	27
Earned premiums Non-life	66	248	64	65	62	57
Technical charges Non-life	-37	-145	-38	-38	-38	-30
Life insurance before reinsurance	14	58	14	14	15	15
Earned premiums Life	56	260	79	63	58	60
Technical charges Life	-42	-202	-64	-49	-43	-46
Ceded reinsurance result	-3	-8	-3	0	-2	-3
Dividend income	0	1	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-3	72	4	20	8	40
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	58	257	64	62	64	67
Net other income	13	14	4	3	3	4
TOTAL INCOME	410	1 540	400	388	353	398
Operating expenses	-204	-729	-187	-180	-173	-189
Impairment	1	-42	-10	-16	-9	-7
On financial assets at amortised cost and at FV through OCI	2	-8	0	-12	4	-1
On other	0	-34	-10	-4	-13	-6
Share in results of associated companies and joint ventures	4	19	3	4	6	6
RESULT BEFORE TAX	212	788	207	196	177	207
Income tax expense	-35	-134	-37	-29	-33	-36
RESULT AFTER TAX	177	654	170	168	145	171
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	177	654	170	168	145	171
Banking	164	619	164	157	137	160
Insurance	13	35	6	10	7	12
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	23 685	23 387	23 387	23 305	22 751	22 656
of which Mortgage loans (end of period)	11 375	11 317	11 317	11 128	10 784	10 837
Customer deposits and debt certificates excl. repos (end of period)	32 210	32 394	32 394	32 063	30 868	30 552
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	613	613	613	611	603	617
Unit-Linked (end of period)	689	660	660	641	623	623
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	14 334	14 457	14 457	15 023	14 717	14 683
Required capital, insurance (end of period)	125	115	115	129	122	127
Allocated capital (end of period)	1 659	1 647	1 647	1 721	1 682	1 683
Return on allocated capital (ROAC)	43%	39%	40%	39%	34%	40%
Cost/income ratio, banking	50%	47%	45%	46%	48%	47%
Combined ratio, non-life insurance	93%	97%	101%	96%	99%	92%
Net interest margin, banking	3,25%	3,07%	3,25%	3,04%	2,97%	3,02%

Business Unit International Markets (in millions of EUR)	**1Q 2019**	**FY 2018**	**4Q 2018**	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	213	896	222	226	222	226
Non-life insurance before reinsurance	35	117	29	31	31	26
Earned premiums Non-life	77	254	68	66	62	58
Technical charges Non-life	-42	-137	-39	-35	-31	-32
Life insurance before reinsurance	9	34	12	7	9	6
Earned premiums Life	27	101	27	25	24	25
Technical charges Life	-18	-67	-15	-18	-15	-19
Ceded reinsurance result	-2	-11	-2	-2	-5	-2
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	10	74	8	24	24	18
Net realised result from debt instr FV through OCI	1	0	0	-1	0	1
Net fee and commission income	68	284	69	74	73	68
Net other income	3	17	-1	2	8	8
TOTAL INCOME	336	1 412	338	361	364	350
Operating expenses	-260	-909	-233	-214	-209	-252
Impairment	7	118	6	18	33	61
On financial assets at amortised cost and at FV through OCI	8	127	8	19	39	61
On other	0	-9	-2	-2	-6	0
Share in results of associated companies and joint ventures	1	5	1	1	1	2
RESULT BEFORE TAX	85	626	111	165	189	160
Income tax expense	-15	-93	-19	-24	-26	-24
RESULT AFTER TAX	70	533	93	141	163	137
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	70	533	93	**141**	**163**	**137**
Banking	56	496	86	130	153	127
Insurance	14	37	7	11	10	9
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	24 146	24 015	24 015	23 728	24 336	24 146
of which Mortgage loans (end of period)	14 955	14 471	14 471	15 052	15 616	15 559
Customer deposits and debt certificates excl. repos (end of period)	23 063	22 897	22 897	22 408	22 693	22 957
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	261	257	257	255	247	248
Unit-Linked (end of period)	417	403	403	407	402	423
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	21 004	20 536	20 536	19 893	19 402	19 506
Required capital, insurance (end of period)	114	108	108	101	98	100
Allocated capital (end of period)	2 361	2 285	2 285	2 210	2 155	2 167
Return on allocated capital (ROAC)	12%	24%	17%	26%	30%	25%
Cost/income ratio, banking	80%	65%	69%	60%	58%	73%
Combined ratio, non-life insurance	84%	90%	95%	89%	90%	86%
Net interest margin, banking	2,69%	2,80%	2,74%	2,79%	2,81%	2,88%

Hungary (in millions of EUR)	**1Q 2019**	**FY 2018**	**4Q 2018**	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	62	243	62	60	60	61
Non-life insurance before reinsurance	12	42	11	10	10	11
Earned premiums Non-life	37	109	28	28	27	26
Technical charges Non-life	-26	-67	-17	-17	-17	-15
Life insurance before reinsurance	2	10	4	2	3	1
Earned premiums Life	4	17	4	4	4	4
Technical charges Life	-3	-6	0	-2	-1	-3
Ceded reinsurance result	-1	-3	-1	-1	-1	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	10	60	11	16	20	14
Net realised result from debt instr FV through OCI	0	-1	0	-1	0	0
Net fee and commission income	48	197	50	50	51	46
Net other income	1	15	1	1	6	7
TOTAL INCOME	133	565	138	138	150	139
Operating expenses	-102	-345	-83	-80	-80	-103
Impairment	0	9	1	0	2	
On financial assets at amortised cost and at FV through OCI	0	9	1	1	2	6
On other	0	-1	0	-1	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	31	228	57	59	71	41
Income tax expense	-6	-32	-8	-8	-10	-7
RESULT AFTER TAX	25	196	49	51	62	34
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	25	196	49	**51**	**62**	**34**
Banking	21	182	45	48	58	31
Insurance	4	14	4	3	4	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	4 395	4 373	4 373	4 287	4 112	4 173
of which Mortgage loans (end of period) (*)	1 581	1 260	1 260	1 531	1 481	1 543
Customer deposits and debt certificates excl. repos (end of period)	7 484	7 503	7 503	7 019	6 972	7 053
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	55	55	55	53	54	56
Unit-Linked (end of period)	284	277	277	278	269	289
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 826	6 693	6 693	6 219	5 938	6 103
Required capital, insurance (end of period)	43	41	41	39	35	36
Allocated capital (end of period)	773	751	751	699	665	683
Return on allocated capital (ROAC)	13%	28%	29%	31%	37%	21%
Cost/income ratio, banking	79%	62%	60%	57%	53%	76%
Combined ratio, non-life insurance	89%	90%	92%	95%	93%	84%

(*) 1Q 2019 includes reversal of reclassification done in 4Q 2018 of 0.3 billion euros from mortgage loans to consumer loans

Slovakia (in millions of EUR)	**1Q 2019**	FY 2018	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	52	211	53	54	52	52
Non-life insurance before reinsurance	7	25	7	6	6	6
Earned premiums Non-life	11	41	11	11	10	10
Technical charges Non-life	-4	-16	-4	-4	-3	-4
Life insurance before reinsurance	3	13	4	3	3	3
Earned premiums Life	11	53	13	13	13	14
Technical charges Life	-8	-40	-9	-10	-10	-11
Ceded reinsurance result	0	-2	-1	-1	-1	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	6	0	3	0	3
Net realised result from debt instr FV through OCI	1	0	0	0	0	0
Net fee and commission income	15	59	15	16	15	14
Net other income	2	4	-1	1	2	1
TOTAL INCOME	80	316	76	84	78	78
Operating expenses	-55	-205	-54	-50	-50	-52
Impairment	-3	-4	-5	1	-4	4
On financial assets at amortised cost and at FV through OCI	-3	-4	-5	1	-4	4
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	23	107	18	35	24	29
Income tax expense	-5	-25	-5	-8	-6	-6
RESULT AFTER TAX	18	82	13	27	19	23
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	18	82	13	27	19	23
Banking	15	73	12	24	16	21
Insurance	3	9	2	3	3	2
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	7 177	7 107	7 107	6 979	6 861	6 640
of which Mortgage loans (end of period)	3 381	3 248	3 248	3 193	3 123	3 021
Customer deposits and debt certificates excl. repos (end of period)	6 270	6 348	6 348	6 333	6 205	6 259
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	114	114	114	115	114	114
Unit-Linked (end of period)	106	104	104	107	116	121
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 121	5 056	5 056	5 048	4 922	4 911
Required capital, insurance (end of period)	24	23	23	24	25	27
Allocated capital (end of period)	572	559	559	559	546	548
Return on allocated capital (ROAC)	13%	15%	10%	19%	14%	17%
Cost/income ratio, banking	70%	65%	70%	60%	64%	67%
Combined ratio, non-life insurance	82%	87%	92%	87%	82%	87%

Bulgaria (in millions of EUR)	**1Q 2019**	FY 2018	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	35	151	37	38	37	39
Non-life insurance before reinsurance	16	50	11	14	15	10
Earned premiums Non-life	29	104	29	27	25	23
Technical charges Non-life	-12	-54	-18	-13	-11	-13
Life insurance before reinsurance	4	12	5	2	3	1
Earned premiums Life	11	32	11	8	7	6
Technical charges Life	-7	-20	-6	-6	-4	-5
Ceded reinsurance result	-2	-6	-1	-1	-4	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	4	13	3	3	3	2
Net realised result from debt instr FV through OCI	0	1	0	0	0	1
Net fee and commission income	6	29	6	7	8	9
Net other income	0	-1	0	0	0	-1
TOTAL INCOME	63	248	62	64	62	60
Operating expenses	-47	-143	-35	-31	-31	-46
Impairment	-2	1	-6	1	-3	9
On financial assets at amortised cost and at FV through OCI	-2	10	-4	2	3	9
On other	0	-9	-2	-1	-6	0
Share in results of associated companies and joint ventures	0	1	0	0	0	1
RESULT BEFORE TAX	15	107	21	34	29	23
Income tax expense	-2	-11	-2	-3	-3	-2
RESULT AFTER TAX	13	96	19	31	26	21
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	13	96	19	**31**	**26**	**21**
Banking	7	86	18	26	23	18
Insurance	6	10	0	4	3	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	2 826	2 806	2 806	2 813	2 772	2 739
of which Mortgage loans (end of period)	645	642	642	1 094	1 102	1 113
Customer deposits and debt certificates excl. repos (end of period)	4 286	4 116	4 116	3 981	3 976	4 009
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	91	87	87	87	79	78
Unit-Linked (end of period)	27	22	22	22	17	13
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 237	2 991	2 991	3 081	3 045	2 990
Required capital, insurance (end of period)	47	44	44	38	38	37
Allocated capital (end of period)	393	361	361	365	361	354
Return on allocated capital (ROAC)	14%	27%	21%	34%	29%	24%
Cost/income ratio, banking	81%	57%	52%	48%	48%	80%
Combined ratio, non-life insurance	82%	91%	99%	82%	88%	93%

Ireland

(in millions of EUR)	**1Q 2019**	FY 2018	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	65	291	69	74	73	75
Non-life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Life	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-3	-5	-6	1	1	-1
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	-1	-1	-1	0	0	0
Net other income	0	-1	-1	0	0	0
TOTAL INCOME	60	284	61	75	74	74
Operating expenses	-56	-216	-62	-53	-49	-51
Impairment	12	111	15	15	38	43
On financial assets at amortised cost and at FV through OCI	12	112	15	15	39	43
On other	0	0	0	0	-1	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	16	180	15	36	63	66
Income tax expense	-2	-24	-4	-5	-8	-8
RESULT AFTER TAX	14	155	11	32	55	57
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	14	155	11	32	55	57
Banking	14	155	11	32	55	57
Insurance	0	0	0	0	0	0
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	9 748	9 729	9 729	9 649	10 592	10 595
of which Mortgage loans (end of period)	9 348	9 320	9 320	9 235	9 910	9 883
Customer deposits and debt certificates excl. repos (end of period)	5 022	4 930	4 930	5 074	5 540	5 636
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 817	5 793	5 793	5 539	5 491	5 496
Allocated capital (end of period)	622	614	614	587	582	583
Return on allocated capital (ROAC)	9%	26%	7%	21%	36%	37%
Cost/income ratio, banking	93%	76%	101%	71%	66%	69%

Group centre - Breakdown net result (in millions of EUR)	**1Q 2019**	**FY 2018**	**4Q 2018**	3Q 2018	2Q 2018	1Q 2018
Operational costs of the Group activities	-18	-77	-28	-18	-15	-17
Capital and treasury management	-3	19	11	4	8	-4
Holding of participations	-11	-10	-9	-4	3	1
Results companies in rundown	4	58	15	10	10	23
Other	34	-57	8	-10	-59	3
Total net result for the Group centre	7	-67	-3	-17	-53	5

Group Centre (in millions of EUR)	**1Q 2019**	**FY 2018**	**4Q 2018**	3Q 2018	2Q 2018	1Q 2018
Breakdown P&L						
Net interest income	-11	29	6	10	11	2
Non-life insurance before reinsurance	3	12	2	1	4	5
Earned premiums Non-life	2	10	2	1	3	3
Technical charges Non-life	1	2	0	0	0	2
Life insurance before reinsurance	0	-1	-1	1	0	0
Earned premiums Life	0	0	0	0	-1	0
Technical charges Life	0	0	-1	0	0	0
Ceded reinsurance result	-10	4	4	-1	1	0
Dividend income	1	7	2	1	4	1
Net result from financial instruments at fair value through profit or loss	38	-17	29	-19	-31	4
Net realised result from debt instr FV through OCI	0	9	0	1	8	0
Net fee and commission income	-2	-3	0	-1	-1	-2
Net other income	-2	-30	-1	8	-37	1
TOTAL INCOME	17	11	42	0	-43	11
Operating expenses	-24	-112	-34	-28	-23	-27
Impairment	6	35	10	4	4	16
On financial assets at amortised cost and at FV through OCI	6	35	10	4	4	16
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	-2	-67	18	-24	-61	0
Income tax expense	9	0	-20	7	8	6
RESULT AFTER TAX	7	-67	-3	-17	-53	5
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	7	-67	-3	-17	-53	5
Of which banking	12	-8	10	-8	-18	9
Of which holding	-1	-67	-10	-12	-38	-7
Of which insurance	-4	7	-2	3	3	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	0	0	0	0	0	0
of which Mortgage loans (end of period)	0	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	8 332	7 558	7 558	7 723	8 376	7 832
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 652	2 629	2 629	2 725	2 831	3 298
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	6	7	7	-25	-23	-13
Allocated capital (end of period)	290	286	286	264	277	336

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

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

Calculation (in millions of EUR)	Reference	1Q 2019	FY 2018	1Q 2018
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	430	2 570	556
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 21	- 76	- 14
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	416,1	417,0	418,5
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		416,2	417,0	418,6
Basic = (A-B) / (C) (in EUR)		0,98	5,98	1,30
Diluted = (A-B) / (D) (in EUR)		0,98	5,98	1,30

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 2019	FY 2018	1Q 2018
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	267	878	230
/				
Earned insurance premiums (B)	Note 3.7.1	409	1 553	372
+				
Operating expenses (C)	Note 3.7.1	141	505	133
/				
Written insurance premiums (D)	Note 3.7.1	512	1 597	472
= (A/B)+(C/D)		92,7%	88,2%	89,9%

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 2019	FY 2018	1Q 2018
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'				
Fully loaded		15,7%	16,0%	15,9%

In anticipation of further clarification and reaching agreement upon our approach re. the interim profit recognition process going forward with ECB, no interim profit has been recognised for 1Q19. When including 1Q19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.8% at the end of 1Q19.

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 2019	FY 2018	1Q 2018
Cost/income ratio				
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	1 161	3 714	1 158
/				
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	1 617	6 459	1 657
=(A) / (B)		71,8%	57,5%	69,9%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. The adjustments include: MTM ALM derivatives (fully excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 57,1% in 1Q 2019 (versus 55,1% in 1Q 2018).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2019	FY 2018	1Q 2018
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	3 223	3 203	4 584
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	7 108	7 151	9 583
= (A) / (B)		45,3%	44,8%	47,8%

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

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period (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 2019	FY 2018	1Q 2018
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	68	- 59	- 62
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	165 440	163 393	162 253
= (A) (annualised) / (B)		0,16%	-0,04%	-0,15%

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 2019	FY 2018	1Q 2018
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	7 108	7 151	9 583
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	166 055	164 824	162 546
= (A) / (B)		4,3%	4,3%	5,9%

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

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2019	FY 2018	1Q 2018
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	16 612	16 150	16 193
/				
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	274 613	266 594	285 110
= (A) / (B)		6,0%	6,1%	5,7%

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 2019	FY 2018	1Q 2018
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	79 450	79 300	81 097
/				
Total net cash outflows over the next 30 calendar days (B)		56 850	57 200	58 340
= (A) / (B)		140%	139%	139%

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

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1Q 2019	FY 2018	1Q 2018
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances	148 517	147 052	142 512
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	637	538	1 522
+				
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	5 603	5 750	6 324
+				
Other exposures to credit institutions (D)		4 954	4 603	5 260
+				
Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees	8 596	8 302	8 049
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	3 539	3 534	4 685
-				
Insurance entities (G)	Note 4.1, component of 'Loans and advances	- 2 320	- 2 296	- 2 021
+				
Non-loan-related receivables (H)		- 934	- 517	- 853
+				
Other (I)	Component of Note 4.1	- 2 537	- 2 142	- 2 932
= (A)+(B)+(C)+(D)+(E)+(F)-(G)+(H)+(I)		166 055	164 824	162 546

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

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1Q 2019	FY 2018	1Q 2018
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	942	3 813	945
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	190 157	187 703	187 603
= (A) (annualised x360/number of calendar days) / (B)		1,98%	2,00%	2,01%

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

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	1Q 2019	FY 2018	1Q 2018
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	170 100	165 650	160 700
/				
Required amount of stable funding (B)		123 050	122 150	117 200
= (A) / (B)		138,2%	135,6%	137,1%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or %)	Reference	1Q 2019	FY 2018	1Q 2018
Parent shareholders' equity (A)	'Consolidated balance sheet'	17 924	17 233	17 119
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416,1	416,1	418,5
= (A) / (B) (in EUR)		43,08	41,42	40,90

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 2019	FY 2018	1Q 2018
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	176	1 450	243
/				
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)		6 681	6 496	6 430
= (A) annualised / (B)		10,5%	22,3%	15,1%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	177	654	171
/				
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)		1 660	1 696	1 715
= (A) annualised / (B)		42,5%	38,5%	39,8%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	70	533	137
/				
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)		2 333	2 204	2 185
= (A) annualised / (B)		12,1%	24,2%	25,0%

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 2019	FY 2018	1Q 2018
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	430	2 570	556
-				
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	'Consolidated statement of changes in equity'	- 21	- 76	- 14
/				
Average parent shareholders' equity, excluding the revaluation reserve for FV OCI assets - overlay approach (C)	'Consolidated statement of changes in equity'	16 651	15 935	15 695
= (A-B) (annualised) / (C)		9,8%	15,6%	13,8%

The return on equity in 1Q 2019 including evenly spread of the bank tax throughout the year is 14.5%.

Sales Life (insurance)

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

Calculation (in millions of EUR or %)	Reference	1Q 2019	FY 2018	1Q 2018
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	351	1 359	336
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)		1	0	1
+				
Investment contracts without discretionary participation feature (branch 23) – margin deposit accounting (C)		164	457	161
Total sales Life (A)+ (B) + (C)		516	1 817	498

Solvency ratio (insurance)

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

Calculation	1Q 2019	FY 2018	1Q 2018
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	210%	217%	218%

Total assets under management

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

Calculation (in billions of EUR or quantity)	Reference	1Q 2019	FY 2018	1Q 2018
Belgium Business Unit (A)	Company presentation on www.kbc.com	194,9	186,4	199,3
+				
Czech Republic Business Unit (B)		10,1	9,5	9,7
+				
International Markets Business Unit (C)		4,6	4,4	4,5
A)+(B)+(C)		209,6	200,3	213,4