KBC Group Quarterly Report

4Q2017

Report for 4Q2017 and FY2017

Consolidated financial statements according to IFRS

Additional information

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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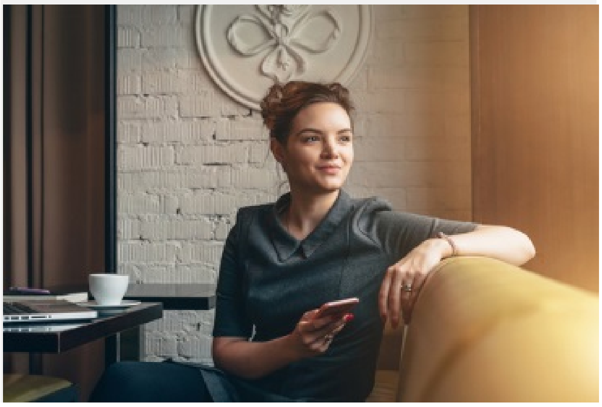
KBC Group

Report for 4Q2017 and FY2017



Summary: Solid fourth-quarter result of 399 million euros brings full-year profit to an excellent 2.6 billion euros.

Against the background of sustained economic expansion, only moderately rising inflation, a stronger euro and continuing low interest rates, KBC posted a net profit of 399 million euros in the fourth quarter of 2017. The quarter under review was impacted by a one-off, upfront negative effect of 211 million euros due to the Belgian corporate tax reform. Excluding this one-off item, the net result amounted to 610 million euros for the fourth quarter of 2017. Our core businesses performed well once again, with costs remaining under control and asset quality remaining strong as demonstrated by a loan loss provisions release. Adding the fourth-quarter result to the results for the first three quarters of the year brought the net result to 2 575 million euros for the full year, up 6% on the 2 427 million euros recorded for full year 2016. Our liquidity position remained robust, while our solid solvency position is reflected in a common equity ratio (fully-loaded) of 16.3% at year-end 2017.

Financial highlights for the fourth quarter of 2017

- Both our banking and insurance franchises in our core markets continued to perform well and the recently acquired Bulgarian companies, UBB and Interlease, also contributed 13 million euros to the net result.
- Lending to our clients went up 1% quarter-on-quarter and 5% year-on-year, with year-on-year increases in all business units. Deposits from our clients rose 2% quarter-on-quarter, and increased 8% year-on-year, with growth in all business units. Of the year-on-year volume growth, 1 percentage point (for lending) and 2 percentage points (for deposits) was attributable to the inclusion of UBB/Interlease in the figures.
- Excluding the dealing room effect, net interest income roughly stabilised quarter-on-quarter and increased by 1.5% year-on-year. The effect of the persistent low reinvestment yields and negative pressure on commercial loan margins was mitigated by good loan volume growth, lower funding costs, the positive impact of rate hikes in the Czech Republic and (year-on-year) the positive effect of the consolidation of UBB/Interlease.
- In our non-life insurance activities, higher premium income was offset by increased technical charges (the third quarter had included significant releases) and a decline in the reinsurance result quarter-on-quarter. For full-year 2017 technical income from our non-life insurance activities ended 12% up on the previous year leading to a very strong non-life combined ratio for full-year 2017 of 88%. Sales of our life insurance products increased 45% quarter-on-quarter, and were up 13% on the last quarter of 2016.
- Our net fee and commission income remained strong, increasing year-on-year by 14%, thanks mainly to our asset management activities, higher securities-related fees and the inclusion of UBB/Interlease in the figures. It was up 5% on the seasonally lower figure for the third quarter.
- All other income items combined were up 13% quarter-on-quarter, but down 20% year-on-year. This was largely accounted for in both cases by variations in the level of trading and fair value income and by an additional provision of 61.5 million euros related to the industry wide review of tracker rate mortgages originated in Ireland before 2009.
- Our cost/income ratio for full year 2017 improved to a very good 54% (from 55% in 2016). In 4Q2017, our operating expenses (excluding bank taxes) were seasonally up 9% quarter-on-quarter and 5% year-on-year.
- The quarter benefited from a 30-million-euro release of loan loss provisions, thanks mainly to a 52 million euro release in Ireland (resulting in a 215 million euros release in full-year 2017). Consequently, our cost of credit for full year 2017 amounted to a very favourable -0.06% (a negative figure indicates a positive impact on the results).
- The net result was adversely impacted by the one-off, upfront negative effect of 211 million euros due to the Belgian corporate income tax reform. Going forward, however, this will have a recurring positive impact on income taxes of the Belgian entities.
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 16.3% (fully loaded, Danish compromise).

Dividend and share buy-back

- We will propose to the General Meeting of Shareholders in May the total (gross) dividend for 2017 be set at 3 euros per share, meaning that – following payment of the interim dividend of 1 euro per share in November 2017 – the final gross dividend to be paid in May will be 2 euros per share. We will also propose buying back 2.7 million shares to offset shareholder dilution caused by the capital increases for staff. This results in a pay-out ratio of 59%.

Johan Thijs, our group CEO, comments…

'We booked a net profit of 399 million euros in the fourth quarter. This result was impacted by the one-off negative effect of 211 million euros due to the Belgian corporate tax reform (which will have a recurring positive impact on income taxes for the Belgian entities going forward). Excluding this one-off item, our net result amounted to a good 610 million euros. It was supported by a pick-up in fee and commission income, a strong level of income generated by the dealing room and an impairment release, but also included a typical end-of-year hike in costs.

Combined with the 630 million euros recorded in the first quarter, the exceptionally strong 855 million euros in the second quarter and the 691 million euros in the third quarter, this brings our net result for full year 2017 to an excellent 2 575 million euros, up 6% on the figure for 2016.

On the regulatory front, there was a more benign outcome to the Basel IV discussions. We estimate the impact of Basel IV on KBC to be roughly 8 billion euros in additional risk weighted assets on a fully loaded basis as at year-end 2017, which corresponds to a risk weighted assets inflation of 9% and an impact of -1.3% on the common equity ratio. This figure is based on our current interpretation of Basel IV, a static balance sheet and the current economic environment. It also does not take into account possible management actions. For our capital deployment plan, the 1% Basel IV buffer relative to our peer group is no longer required. Taking into account the updated median common equity ratio of our 12 peers, our 'own capital target' and 'reference capital position' have been lowered to 14% and 16%, respectively. Regarding IFRS9, we expect a negative impact of its first-time application on our fully loaded common equity ratio of approximately 41 basis points.

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Our success is based on the trust that our clients continue to place in our company. I'd like to explicitly thank all our clients for that trust and to assure them that we are more focused than ever in our efforts to become the reference in bank-insurance in all our core countries. In the years ahead, we will build on the momentum of previous years, thanks to our successful client-centric bank-insurance model, underpinned by our very solid liquidity position and strong capital base and supported by our 42 000-strong workforce worldwide.'

Overview KBC Group (consolidated, IFRS)	4Q2017	3Q2017	4Q2016	FY2017	FY2016
Net result (in millions of EUR)	399	691	685	2 575	2 427
Basic earnings per share (in EUR)	0.92	1.62	1.61	6.03	5.68
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	336	455	439	1 575	1 432
Czech Republic	167	170	131	702	596
International Markets	74	78	139	444	428
Group Centre	-179	-12	-24	-146	-29
Parent shareholders' equity per share (in EUR, end of period)	41.6	40.6	38.1	41.6	38.1

The core of our strategy

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

Our strategy consists of four interacting cornerstones:

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

Overview of our results and balance sheet

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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	4Q2017	3Q2017	2Q2017	1Q2017	4Q2016	FY 2017	FY 2016
Net interest income	1 029	1 039	1 028	1 025	1 057	4 121	4 258
Non-life insurance (before reinsurance)	152	188	179	187	178	706	628
Earned premiums	*384*	*378*	*369*	*360*	*363*	*1 491*	*1 410*
Technical charges	*-232*	*-190*	*-190*	*-173*	*-185*	*-785*	*-782*
Life insurance (before reinsurance)	-3	-3	-24	-28	-44	-58	-152
Earned premiums	*410*	*282*	*267*	*312*	*413*	*1 271*	*1 577*
Technical charges	*-414*	*-284*	*-291*	*-341*	*-457*	*-1 330*	*-1 728*
Ceded reinsurance result	-10	16	-10	-4	-15	-8	-38
Dividend income	8	11	30	15	19	63	77
Net result from financial instruments at fair value through P&L	235	182	249	191	224	856	540
Net realised result from available-for-sale assets	51	51	52	45	8	199	189
Net fee and commission income	430	408	430	439	376	1 707	1 450
Other net income	-14	4	47	77	101	114	258
Total income	1 878	1 896	1 980	1 946	1 903	7 700	7 211
Operating expenses	-1 021	-914	-910	-1 229	-963	-4 074	-3 948
Impairment	-2	-31	71	-8	-73	30	-201
on loans and receivables	30	-15	78	-6	-54	87	-126
on available-for-sale assets	-3	-6	-2	-1	-4	-12	-55
on goodwill	0	0	0	0	0	0	0
other	-29	-11	-5	0	-15	-45	-20
Share in results of associated companies and joint ventures	-5	8	3	5	5	11	27
Result before tax	850	959	1 144	715	871	3 667	3 090
Income tax expense	-451	-268	-288	-85	-186	- 1 093	-662
Net post-tax result from discontinued operations	0	0	0	0	0	0	0
Result after tax	398	691	855	630	685	2 575	2 428
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**399**	**691**	**855**	**630**	**685**	**2 575**	**2 427**
Basic earnings per share (EUR)	0.92	1.62	2.01	1.47	1.61	6.03	5.68
Diluted earnings per share (EUR)	0.92	1.62	2.01	1.47	1.61	6.03	5.68

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-12-2017	30-09-2017	30-06-2017	31-03-2017	31-12-2016
Total assets	292 342	296 885	296 479	287 293	275 200
Loans and advances to customers	141 502	140 466	139 350	135 304	133 231
Securities (equity and debt instruments)	67 743	69 273	70 898	72 329	73 262
Deposits from customers and debt certificates	193 968	190 824	189 938	181 722	177 730
Technical provisions, before reinsurance	18 641	18 696	18 905	19 234	19 657
Liabilities under investment contracts, insurance	13 552	13 294	13 339	13 128	12 653
Parent shareholders’ equity	17 403	17 003	16 665	16 506	15 957

Selected ratios for the KBC group (consolidated)	FY2017	FY2016
Profitability and efficiency		
Return on equity	17%*	18%
Cost/income ratio, banking (when excluding certain non-operating items)	54% (55%)	55% (57%)
Combined ratio, non-life insurance	88%	93%
Solvency		
Common equity ratio according to Basel III Danish Compromise method (phased-in/fully loaded)	16.5%/16.3%	16.2%/15.8%
Common equity ratio according to FICOD method (fully loaded)	15.1%	14.5%
Leverage ratio according to Basel III (fully loaded)	6.1%	6.1%
Credit risk		
Credit cost ratio**	-0.06%	0.09%
Impaired loans ratio	6.0%	7.2%
for loans more than 90 days overdue	3.4%	3.9%
Liquidity		
Net stable funding ratio (NSFR)	134%	125%
Liquidity coverage ratio (LCR)	139%	139%

* 18% excluding the one-off, upfront negative effect of 211m euros due to the Belgian corporate income tax reform.
** Negative figure indicates a net impairment release (with positive impact on the results).

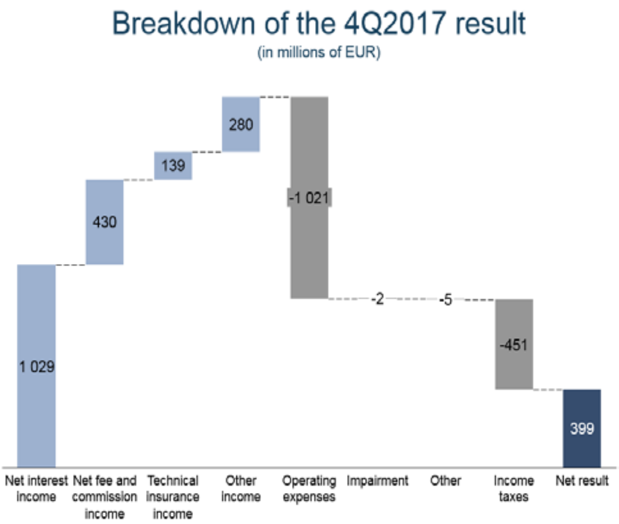
Analysis of the quarter (4Q2017)

The net result for the quarter amounted to 399 million euros, compared to 691 million euros in the previous quarter and 685 million euros in the corresponding quarter a year earlier.

Note: the results of the recently acquired UBB and Interlease entities in Bulgaria are included in the group's results for the second half of 2017 (net result of 13 million euros in 4Q2017). UBB and Interlease were included in the balance sheet as of 30 June 2017.

Our total income was in line with the figure for the previous quarter, as higher net fee and commission income and strong trading and fair value income were offset by a lower level of net interest income and a drop in technical insurance income (the third quarter had benefited from provision releases). Other net income was affected by an additional provision of 61.5 million euros being set aside for the tracker mortgage review in Ireland (compared to an additional provision of 54.4 million euros in the third quarter).

Net interest income amounted to 1 029 million euros in the quarter under review. Excluding the dealing room effect, net interest income roughly stabilised quarter-on-quarter and increased by 1.5% year-on-year. The effect of the persistent low reinvestment yields and negative pressure on commercial loan margins was mitigated by good loan volume growth, lower funding costs, the positive impact of rate hikes in the Czech Republic and (year-on-year) the positive effect of the consolidation of UBB/Interlease. Our net interest margin came to 1.83% for the quarter under review, i.e. stable quarter-on-quarter but down 7 basis points on the year-earlier figure. Excluding the dealing room effect, our net interest margin amounted to 1.99% in 4Q2017. As already mentioned, interest income continued to be supported by loan volume growth: our total volume of lending rose by 1% quarter-on-quarter and by 5% year-on-year, with growth in all business units. Deposits went up 2% quarter-on-quarter and 8% year-on-year, with increases in all business units. Excluding UBB/Interlease, the year-on-year organic growth of loans would have been 4% and the year-on-year growth of deposits some 7%.



Technical income from our non-life and life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) stood at 139 million euros in the quarter under review. Non-life insurance activities contributed 142 million euros to this technical insurance income figure, 31% less than in the previous quarter, since that quarter had included a one-off release of non-life provisions in Belgium totalling 26 million euros. The non-life insurance technical result was down 12% year-on-year, with the increased levels of non-life premium income in almost all core countries being offset by higher technical provisions and a lower reinsurance result. Our combined ratio for full year 2017 came to an exceptionally good 88%, compared to 93% for full year 2016. Technical insurance income from our life insurance activities stood at -3 million euros, unchanged on its level of the previous quarter (which had benefited from a 23 million release of life provisions) and better than the -44 million euros posted in the year-earlier quarter. Sales of life insurance products were 45% higher than in the previous quarter, and were up 13% on the year-earlier quarter, with sales of both guaranteed interest products and unit-linked products increasing. As a result, the share of guaranteed interest products in total sales of life insurance products stood at 54% in the fourth quarter of 2017, with unit-linked products accounting for the remaining 46%.

At 430 million euros, net fee and commission income remained robust. Year-on-year, it was up 14%, thanks mainly to the contribution made by our asset management activities in Belgium, higher securities-related fees and, to a lesser extent, to higher payment service fees in a number of countries and the inclusion of UBB/Interlease in the figures (accounting for 11 million euros in the fourth quarter of 2017). Compared to the previous quarter, there was an increase of 5%, which was primarily attributable to entry fees in the asset management business and securities-related fees. Note that the previous quarter had been adversely impacted by the holiday season. At the end of December 2017, our total assets under management stood at 219 billion euros, up 1% quarter-on-quarter and 3% year-on-year, due in both cases mainly to the positive price performance.

All other income items amounted to an aggregate 280 million euros, compared to 248 million euros in the previous quarter and 352 million euros in the year-earlier quarter. The figure for the fourth quarter of 2017 included a relatively high 51 million euros in gains realised on the sale of available-for-sale securities (predominantly on shares), 8 million euros in dividend income and -14 million euros in other net income. The latter was impacted by the booking of an additional provision of 61.5 million related to the industry wide review of tracker rate mortgages originated in Ireland before 2009 (the previous quarter had also been affected to the amount of 54.4 million euros). It also included the 235-million-euro net result from financial instruments at fair value (trading and fair value income). This figure was up on the 224 million euros recorded in the year-earlier quarter and on the 182 million euros recorded in the previous quarter, in both cases mainly due to robust dealing room income.

Operating expenses up quarter-on-quarter

The cost/income ratio of our banking activities stood at a solid 54% for full year 2017, compared to 55% for full year 2016. When certain non-operating items are excluded (mark-to-market of derivatives used for asset/liability management purposes, the effect of liquidating group companies, etc.), our adjusted cost/income ratio for 2017 amounted to 55%, compared to 57% for 2016.

At 1 021 million euros, operating expenses in the fourth quarter were up 12% quarter-on-quarter and 6% year-on-year (disregarding UBB/Interlease, expenses were up by just 4% year-on-year). The increased level of costs quarter-on-quarter, partly caused by higher bank taxes, was also affected by the traditional year-end cost hike (in ICT costs, marketing expenses and professional fees) and by higher staff expenses. The year-on-year increase was – over and above the impact of UBB/Interlease (20 million euros in expenses in the fourth quarter of 2017) – due to higher bank taxes, higher ICT costs and marketing expenses, and higher depreciation and amortisation charges (due to the capitalisation of some projects).

Net release of loan loss impairments in the quarter under review

In the fourth quarter of 2017, there was a net impairment release of 30 million euros (which had a positive impact on the net result). This compares with a net addition of 15 million euros in the previous quarter and 54 million euros in the year-earlier quarter. The favourable level of impairment in the quarter under review was attributable to a 52-million-euro impairment release in Ireland (which came about mainly because of a IBNR model change, the positive movement in the 9-month average house price index and an improvement in the portfolio of non-performing loans). There were also some small net reversals of loan provisions in the Czech Republic and Hungary and a continuing low level of loan loss impairment charges in the other countries.
Consequently, the credit cost ratio for the entire group fell to a very low -0.06% for full year 2017 (a negative figure indicates a net retrieval and, hence, a positive impact on the results). Excluding KBC Bank Ireland, the credit cost ratio amounted to 0.09% for the full year 2017.
Loan quality improved further. At the end of December 2017, some 6.0% of our loan book was classified as impaired, with 3.4% being ‘impaired and more than 90 days past due’. This compares with 7.2% and 3.9%, respectively, at year-end 2016.

Impairment on assets other than loans stood at 32 million euros, compared to 17 million in the previous quarter and 19 million euros in the fourth quarter of 2016.

Taxes impacted by a negative one-off item related to a change in the Belgian corporate tax system.

Income taxes amounted to 451 million euros in the fourth quarter of 2017, much higher than in both reference quarters. This was due to the one-off, upfront booking of -211 million euros, caused by the reform of the Belgian corporate tax system as of 2018 (which, among other things, reduces the existing amount of deferred tax assets (impact of -243 million euros), though partly offset by the increase in dividend exemption (DBI) from 95% to 100% (impact +32 million euros)). Going forward, however, the one-off negative impact will be fully recuperated in roughly 3 years’ time given a recurring positive impact on income taxes of the Belgian entities.

Results per business unit (quarter-on-quarter)

Our quarterly profit of 399 million euros breaks down as follows:

- 336 million euros for the Belgium Business Unit. The net result was down 26% quarter-on-quarter, due to a decrease in net interest income, a lower level of technical insurance income (following the one-off releases of provisions in the previous quarter), the traditional year-end hike in costs and a one-off negative tax impact related to the reform of the corporate tax system. On the other hand, trading and fair value income went up, as did net fee and commission income. Sales of life insurance products were higher and loan loss impairment charges lower.
- 167 million euros for the Czech Republic Business Unit. The net result was down 2% on its level for the previous quarter. While net interest income and net fee and commission income were both up on their quarter-earlier levels, they were unable to offset seasonally higher costs. Loan loss impairments continued to be very low, though some impairment charges were recorded for ICT and for lease cars.
- 74 million euros for the International Markets Business Unit, 16 million euros of which was accounted for by Slovakia, 39 million euros by Hungary, 18 million euros by Bulgaria (including 13 million euros at UBB/Interlease) and 3 million euros by Ireland. For the business unit as a whole, this represented a quarter-on-quarter decrease of 4 million euros, which was primarily attributable to Ireland as a result of the additional provision of 61.5 million euros set aside for an industry wide review of tracker rate mortgages originated in Ireland before 2009 (compared to the 54.4 million euros already provisioned in the third quarter of 2017).
- -179 million euros for the Group Centre. This is 166 million euros down on the level recorded in the previous quarter, due mainly to the effect of the reform of the corporate tax system in Belgium.

	Belgium		Czech Republic		International Markets	
Selected ratios per business unit	**FY2017**	**FY2016**	**FY2017**	**FY2016**	**FY2017**	**FY2016**
Cost/income ratio, banking excluding certain non-operating items	53%	55%	43%	46%	72%	66%
Combined ratio, non-life insurance	86%	92%	97%	96%	93%	94%
Credit cost ratio*	0.09%	0.12%	0.02%	0.11%	-0.74%	-0.16%
Impaired loans ratio	2.8%	3.3%	2.4%	2.8%	19.7%	25.4%

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

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

Strong fundamentals: equity, solvency and liquidity

At the end of December 2017, our total equity stood at 18.8 billion euros (17.4 billion euros in parent shareholders' equity and 1.4 billion euros in additional tier-1 instruments), up 1.4 billion euros on its level at the beginning of the year. The change during 2017 resulted from the inclusion of the profit for that period (+2.6 billion euros), the payment of the final dividend for 2016 in May and the decision to pay an interim dividend for 2017 in November (an aggregate -1.2 billion euros), changes in defined benefit obligations (+0.1 billion euros) and a number of minor items.

At 31 December 2017, our fully loaded common equity ratio (Basel III, under the Danish compromise) stood at a strong 16.3%. Our leverage ratio (Basel III, fully loaded) came to 6.1%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 212% at 31 December 2017.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 139% and an NSFR ratio of 134% at the end of December 2017.

Analysis of the year-to-date period (FY2017)

The net result for 2017 amounted to 2 575 million euros, compared to 2 427 million euros for 2016.

Note: the result for the12 months of 2017 includes the net result of 27 million euros generated by the recently acquired UBB and Interlease entities in Bulgaria in the period July through December.

Highlights (compared to FY2016):

- Somewhat lower net interest income (-3% to 4 121 million euros), mainly due to the lower contribution of the dealing room (more than compensated by an increase in trading and fair value income) and insurance. Net interest income excluding dealing room effect and the contribution of UBB/Interlease stabilised. The volume of deposits increased by 8% and lending went up by 5%. Of this volume growth, about 1 percentage point (for lending) and 2 percentage points (for deposits) was attributable to the inclusion of UBB/Interlease in the figures for the second half of the year. The net interest margin came to 1.85% for 2017 as a whole, down on the 1.92% recorded for 2016.
- A higher contribution made by the technical insurance result (+46% to 640 million euros). This was due to the non-life insurance activities, where premium income and the reinsurance result both went up and technical charges remained stable (despite the one-off release of provisions in Belgium in the third quarter), and to the life insurance activities, which – among other things – also benefited from a release of provisions in Belgium. The non-life combined ratio for full year 2017 stood at an excellent 88%. Life insurance sales were down by 11%, due entirely to a decrease in the sale of guaranteed interest products.
- Significantly higher net fee and commission income (+18% to 1 707 million euros) owing primarily to our asset management services. At the end of December 2017, total assets under management stood at 219 billion euros, a year-on-year increase of 3% largely because of a positive price performance.
- A higher level of all other income items combined (1 232 million euros). This included a significantly higher net result from financial instruments at fair value (+58% to 856 million euros), higher net realised gains from available-for-sale assets (+5% to 199 million euros), a slightly lower level of dividend income (-18% to 63 million euros) and lower other net income (-56% to 114 million euros), due in part to the booking of an additional provision relating to an industry wide review of tracker rate mortgages originated in Ireland before 2009 (totalling 116 million euros).
- Our cost/income ratio for full year 2017 improved to a very good 54% (from 55% in 2016). Operating expenses (excluding bank taxes) increased by 125 million euros (3,5%) year-on-year. Taking into account a doubling of investments in digitalisation through operating expenses (from approximately 125 million euros for full year 2016 to approximately 250 million euros for full year 2017) and the 40 million euros arising from the inclusion of UBB/Interlease, this clearly proves that costs are firmly under control.
- Much lower loan loss impairment charges (from a net addition of 126 million euros in 2016 to a net release of 87 million euros in 2017), essentially because of significant impairment releases in Ireland. As a result, the credit cost ratio for the whole group stood at an excellent -0.06% (a negative figure indicates a positive impact on the results).
- The net result for 2017 breaks down as follows: 1 575 million euros for the Belgium Business Unit (+10% on the figure for 2016), 702 million euros for the Czech Republic Business Unit (+18%), 444 million euros for the International Markets Business Unit (+4%) and -146 million euros for the Group Centre (down 118 million euros). The above result for the International Markets Business Unit breaks down into 167 million euros for Ireland (-9%, due essentially to the additional provisions for the tracker rate mortgage review), 146 million euros for Hungary (+13% on the figure for 2016), 79 million euros for Slovakia (-14%) and 50 million euros for Bulgaria (+127%, due to the inclusion in the figures of UBB/Interlease as of the third quarter of 2017).

Risk statement

As we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, market risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. Although we closely monitor and manage each of these risks within a strict risk framework containing governance and limits, they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.
At present, a number of items are considered to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to us. Regulatory uncertainty remains a dominant theme for the sector (even though the 'Basel IV' agreement in December has brought some clarification as regards future capital requirements), as does enhanced consumer protection. Another ongoing challenge remains the low interest rate environment (despite the recent uptrend), particularly for longer maturities, combined with the increased risk of asset bubbles. The financial sector also faces the potential systemic consequences of political and financial developments like Brexit or protectionist measures in the US, which will have an impact on the European economy. Financial technology is an additional challenge for the business model of traditional financial institutions. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

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

Our views and guidance

Our view on interest rates and foreign exchange rates: the ECB will continue its QE programme until at least September 2018. Since the beginning of January 2018, the volume of these net monthly purchases has been reduced to 30 billion euros. We forecast the ECB to wait until 2019 to raise its policy rate. In the meantime, we expect the Fed to carry out three rate hikes in 2018 (each time by 25 basis points). Consequently, we believe that the US dollar will appreciate against the euro in the short term, as it will benefit from short-term interest rate support. From mid-2018 on, however, the euro will start appreciating again. Given the low inflation environment and still highly accommodating monetary policies around the world, German and US long-term bond yields are expected to rise only modestly in the period ahead. Unlike the dovish stance of the ECB, the Czech National Bank has already begun to tighten its monetary policy and is expected to continue doing so in 2018. We forecast three rate hikes for this year in the Czech Republic (of which the first one already happened in February), which will bring the repo rate to 1.25% by the end of 2018, given economic and inflationary developments – together with the fiscal stimulus that may be implemented by the new government.

Our view on economic growth: the economic environment in the euro area is favourable and, as a result, the consumer sector remains solid. The unemployment rate is steadily falling, which will further support consumption in the period ahead. Investment growth is also gaining strength. The most significant risks continue to stem from the trend of de-globalisation and from geopolitical concerns, which could create additional uncertainty and hence affect economic sentiment.

Our guidance:

- Solid returns for all business units
- For Ireland, our guidance for loan impairment in 2018 is for a net release of 100 to 150 million euros for full year 2018.
- We estimate the first-time application of IFRS 9 (replacing the relevant requirements of IAS 39 on 1 January 2018) to reduce our fully loaded common equity ratio by around 41 basis points, mainly on account of reclassifications in the banking book.
- The impact of the reform of the Belgian corporate income tax system will have a recurring positive impact on the income statement as of 2018. The one-off negative impact will be fully recuperated in roughly 3 years' time.
- Funding costs will be lower as a result of the contingent capital note (CoCo) being called in January 2018.
- The impact of Basel IV on KBC is an estimated increase in risk weighted assets of approximately 8 billion euros, which corresponds to a risk weighted assets inflation of 9% and an impact of approximately -1.3% on the common equity ratio. This figure is based on our current interpretation of Basel IV, a static balance sheet and the current economic environment. It also does not take into account possible management actions. Elements that are not included in above mentioned risk weighted assets impact (and which might affect KBC earlier): the ongoing Targeted Review of Internal Models (TRIM) exercise by the ECB, the potential impact of the EBA review of the IRB approach and any impact on the Pillar 2 requirements.
- For our capital deployment plan, it means we can abandon our 1% Basel IV buffer relative to our peer group. Taking into account that the median common equity ratio of our 12 peers has increased to 14%, our 'own capital target' and 'reference capital position' have been lowered to 14% and 16%, respectively.
- For accounting year 2017: a total gross dividend of 3 euros per share will be proposed to the AGM comprising an interim dividend of 1 euro per share (paid in November 2017) and a final dividend of 2 euros per share, which will be paid in May 2018. A proposal to buy back 2.7 million shares will also be made to the AGM. The rationale behind this operation is to offset shareholder dilution caused by annual capital increases for staff. This results in a pay-out ratio of 59%.

Additional information

The statutory auditor, PwC Bedrijfsrevisoren bcvba/Reviseurs d'Entreprises sccrl, represented by Roland Jeanquart and Tom Meuleman, has confirmed that its audit work, which is substantially complete, has not to date revealed any significant matters that require adjustments to be made to the 2017 consolidated income statement, the condensed consolidated statement of comprehensive income for the year, the consolidated balance sheet and the consolidated statement of changes in equity and the explanatory notes, comprising a summary of significant accounting policies and other explanatory notes included in this press release.

Financial calendar for 2018:

- 2017 Annual Report and 2017 Risk Report: 29 March 2018
- Annual General Meeting: 3 May 2018
- Final dividend dates: ex-date: 7 May 2018, record date: 8 May 2018, payment date: 9 May 2018
- Publication of 1Q 2018 results: 17 May 2018
- Publication of 2Q 2018 results: 9 August 2018
- Publication of 3Q 2018 results: 15 November 2018

KBC Group Consolidated financial statements according to IFRS 4Q 2017 and FY2017

Consolidated income statement

(in millions of EUR)	Note	2017	2016	4Q 2017	3Q 2017	4Q 2016
Net interest income	3.1	4 121	4 258	1 029	1 039	1 057
Interest income	3.1	6 337	6 642	1 590	1 605	1 593
Interest expense	3.1	- 2 216	- 2 384	- 561	- 566	- 537
Non-life insurance before reinsurance	3.7	706	628	152	188	178
Earned premiums Non-life	3.7	1 491	1 410	384	378	363
Technical charges Non-life	3.7	- 785	- 782	- 232	- 190	- 185
Life insurance before reinsurance	3.7	- 58	- 152	- 3	- 3	- 44
Earned premiums Life	3.7	1 271	1 577	410	282	413
Technical charges Life	3.7	- 1 330	- 1 728	- 414	- 284	- 457
Ceded reinsurance result	3.7	- 8	- 38	- 10	16	- 15
Dividend income		63	77	8	11	19
Net result from financial instruments at fair value through profit or loss	3.3	856	540	235	182	224
Net realised result from available-for-sale assets	3.4	199	189	51	51	8
Net fee and commission income	3.5	1 707	1 450	430	408	376
Fee and commission income	3.5	2 615	2 101	641	606	552
Fee and commission expense	3.5	- 908	- 651	- 210	- 198	- 176
Net other income	3.6	114	258	- 14	4	101
TOTAL INCOME		7 700	7 211	1 878	1 896	1 903
Operating expenses	3.8	- 4 074	- 3 948	- 1 021	- 914	- 963
Staff expenses	3.8	- 2 303	- 2 252	- 584	- 578	- 581
General administrative expenses	3.8	- 1 505	- 1 449	- 368	- 268	- 318
Depreciation and amortisation of fixed assets	3.8	- 266	- 246	- 70	- 68	- 63
Impairment	3.10	30	- 201	- 2	- 31	- 73
on loans and receivables	3.10	87	- 126	30	- 15	- 54
on available-for-sale assets	3.10	- 12	- 55	- 3	- 6	- 4
on goodwill	3.10	0	0	0	0	0
on other	3.10	- 45	- 20	- 29	- 11	- 15
Share in results of associated companies and joint ventures		11	27	- 5	8	5
RESULT BEFORE TAX		3 667	3 090	850	959	871
Income tax expense	3.12	- 1 093	- 662	- 451	- 268	- 186
RESULT AFTER TAX		2 575	2 428	398	691	685
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		**2 575**	**2 427**	**399**	**691**	**685**
Earnings per share (in EUR)						
Basic		6,03	5,68	0,92	1,62	1,61
Diluted		6,03	5,68	0,92	1,62	1,61

Impact acquisition UBB/Interlease:
UBB/Interlease are included in the consolidated income statement as of 3Q 2017.
For more information see note ‘Main changes in the scope of consolidation’ (note 6.6) further in this report.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	2017	2016	4Q 2017	3Q 2017	4Q 2016
RESULT AFTER TAX	2 575	2 428	398	691	685
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	2 575	2 427	399	691	685
Other comprehensive income - to be recycled to P&L	4	- 196	- 23	49	54
Net change in revaluation reserve (AFS assets) - Equity	- 31	- 57	- 12	- 14	85
Net change in revaluation reserve (AFS assets) - Bonds	38	26	153	54	- 375
Net change in revaluation reserve (AFS assets) - Other	0	0	0	0	0
Net change in hedging reserve (cash flow hedge)	8	- 201	- 174	22	305
Net change in translation differences	- 7	20	11	- 12	38
Net change related to associated companies & joint ventures	- 3	4	1	- 1	0
Other movements	- 2	11	- 1	0	0
Other comprehensive income - not to be recycled to P&L	80	- 231	22	31	80
Net change in defined benefit plans	86	- 231	23	30	80
Net change on own credit risk - liabilities designated at FV(T)PL	- 6	0	- 1	1	0
Net change related to associated companies & joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	2 658	2 000	398	771	819
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	2 658	2 000	398	771	819

The largest movements in other comprehensive income (12M 2017 vs. 12M 2016):

- Net change in revaluation reserve (AFS assets) – Equity: the -31 million euros in 2017 can be explained for a large part by a transfer to net result (gains on disposal) partly compensated by positive fair value movements, while the -57 million euros in 2016 can be explained for a large part by the sale of Visa Europe Limited shares (following the public offering of Visa Inc.) partly compensated by positive fair value movements.
- In 2017, the impact of the tax reform in Belgium (for more information see note 'Income tax expense – income statement' (note 3.12) further in this report) is offset by an increase in long-term interest rates, driving the following limited changes:
  - Net change in revaluation reserve (AFS assets) – Bonds: +38 million euros
  - Net change in hedging reserve (cash flow hedge): +8 million euros
- Net change in defined benefit plans: +86 million euro in 2017, largely due to an increase in long-term interest rates
- In 2016 a decrease in long-term interest rates (partly offset by a recycling to P&L for the revaluation and hedging reserves) drives the following impacts:
  - Net change in revaluation reserve (AFS assets) – Bonds: +26 million euros
  - Net change in hedging reserve (cash flow hedge): -201 million euros
  - Net change in defined benefit plans: -231 million euro

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2017	31-12-2016
Cash, cash balances at central banks and other demand deposits from credit institutions		29 727	20 686
Financial assets	4.1 - 4.7	254 753	246 298
Held for trading	4.1 - 4.7	7 431	9 683
Designated at fair value through profit or loss	4.1 - 4.7	14 484	14 184
Available for sale	4.1 - 4.7	34 156	36 708
Loans and receivables	4.1 - 4.7	167 458	151 615
Held to maturity	4.1 - 4.7	30 979	33 697
Hedging derivatives	4.1 - 4.7	245	410
Reinsurers' share in technical provisions		131	110
Fair value adjustments of hedged items in portfolio hedge of interest rate risk (*)		- 78	202
Tax assets		1 625	2 312
Current tax assets		82	66
Deferred tax assets		1 543	2 246
Non-current assets held for sale and assets associated with disposal groups		21	8
Investments in associated companies and joint ventures		240	212
Investment property		485	426
Property and equipment		2 721	2 451
Goodwill and other intangible assets		1 205	999
Other assets		1 512	1 496
TOTAL ASSETS		292 342	275 200

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2017	31-12-2016
Financial liabilities	4.1 - 4.7	251 260	234 300
Held for trading	4.1 - 4.7	6 998	8 559
Designated at fair value through profit or loss	4.1 - 4.7	15 034	16 553
Measured at amortised cost	4.1 - 4.7	227 944	207 485
Hedging derivatives	4.1 - 4.7	1 284	1 704
Technical provisions, before reinsurance		18 641	19 657
Fair value adjustments of hedged items in portfolio hedge of interest rate risk (*)		- 86	204
Tax liabilities		582	681
Current tax liabilities		148	188
Deferred tax liabilies		434	493
Provisions for risks and charges		399	238
Other liabilities		2 743	2 763
TOTAL LIABILITIES		273 540	257 843
Total equity	5.10	18 803	17 357
Parent shareholders' equity	5.10	17 403	15 957
Additional Tier-1 instruments included in equity	5.10	1 400	1 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		292 342	275 200

(*) Fair value adjustments in portfolio hedge of interest rate risk: the negative amount on the asset as well as on the liability side can be explained by a negative fair value adjustment on respectively the underlying hedged assets and liabilities. The hedges are deemed to be effective, the positive leg of the hedge is reflected in the line hedging derivatives.

In order to align with the consolidated financial reporting framework (FINREP) of the European Banking Authority, the presentation of the balance sheet has been slightly changed: Cash and cash balances includes as of 2017 also other demand deposits with credit institutions and consequently has been renamed 'Cash, cash balances at central banks and other demand deposits from credit institutions'. The reference figures have been restated accordingly (shift of 538 million euros mainly from Loans and receivables). The balance sheet of 31 December 2017 includes UBB/Interlease: for more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Own credit risk (through OCI)	Retained earnings	Translation differences	Parent shareholders' equity	Additional Tier-1 instruments included in equity	Minority interests	Total equity
31-12-2017													
Balance at the beginning of the period (01-01-2017)	**1 455**	**5 453**	**0**	**1 756**	**- 1 347**	**- 138**	**- 4**	**8 751**	**31**	**15 957**	**1 400**	**0**	**17 357**
Net result for the period	0	0	0	0	0	0	0	2 575	0	2 575	0	0	2 575
Other comprehensive income for the period	0	0	0	- 5	8	86	- 6	- 2	2	84	0	0	84
Total comprehensive income	**0**	**0**	**0**	**- 5**	**8**	**86**	**- 6**	**2 573**	**2**	**2 658**	**0**	**0**	**2 658**
Dividends	0	0	0	0	0	0	0	- 1 171	0	- 1 171	0	0	- 1 171
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	- 52	0	- 52	0	0	- 52
Capital increase	1	15	0	0	0	0	0	0	0	15	0	0	15
Purchases of treasury shares	0	0	- 5	0	0	0	0	0	0	- 5	0	0	- 5
Total change	**1**	**15**	**- 5**	**- 5**	**8**	**86**	**- 6**	**1 350**	**2**	**1 446**	**0**	**0**	**1 446**
Balance at the end of the period	**1 456**	**5 467**	**- 5**	**1 751**	**- 1 339**	**- 52**	**- 10**	**10 101**	**33**	**17 403**	**1 400**	**0**	**18 803**
of which revaluation reserve for shares				460									
of which revaluation reserve for bonds				1 292									
of which relating to equity method				14	0	0	0	0	16	30			30
31-12-2016													
Balance at the beginning of the period (01-01-2016)	**1 454**	**5 437**	**0**	**1 782**	**- 1 146**	**94**	**0**	**6 779**	**11**	**14 411**	**1 400**	**0**	**15 811**
Net result for the period	0	0	0	0	0	0	0	2 427	0	2 427	0	0	2 428
Other comprehensive income for the period	0	0	0	- 26	- 201	- 231	0	11	20	- 427	0	0	- 427
Total comprehensive income	**0**	**0**	**0**	**- 26**	**- 201**	**- 231**	**0**	**2 439**	**20**	**2 000**	**0**	**0**	**2 000**
Dividends	0	0	0	0	0	0	0	- 418	0	- 418	0	0	- 418
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	- 52	0	- 52	0	0	- 52
Capital increase	1	15	0	0	0	0	0	0	0	16	0	0	16
Total change	**1**	**15**	**0**	**- 26**	**- 201**	**- 231**	**0**	**1 969**	**20**	**1 546**	**0**	**0**	**1 546**
Balance at the end of the period	**1 455**	**5 453**	**0**	**1 756**	**- 1 347**	**- 138**	**0**	**8 747**	**31**	**15 957**	**1 400**	**0**	**17 357**
of which revaluation reserve for shares				490									
of which revaluation reserve for bonds				1 266									
of which relating to equity method				26	0	0		0	7	32			32

As an advance payment of the total 2016 dividend, KBC decided to distribute an interim dividend of 1 euro per share (418 million euros in total), paid on 18 November 2016 (already deducted from retained earnings in 3Q 2016).
Furthermore, for 2016 the board of directors proposed to the general meeting of shareholders, who approved this on 4 May 2017, that a closing dividend of 1.80 euros is paid out per share entitled to dividend (753 million euros in total). This dividend is deducted from retained earnings and was accounted for in 2Q 2017.
In line with our dividend policy, the Board of 9 August 2017 has decided to pay an interim dividend of 1 euro per share (418 million euros in total), as an advance payment on the total dividend (payment date 17 November 2017) (already deducted from retained earnings in 3Q 2017). Furthermore, for 2017 KBC will additionally propose a closing dividend of 2 euro per share (a total of 837 million euros will be deducted from retained earnings in 2Q 2018 subject to approval) to the Annual Meeting on 3 May 2018. Also a buy-back of 2.7 million shares (roughly 0.2bn EUR) will be proposed to the Annual Meeting (i.e. a pay-out ratio of 59% including the total dividend, AT1 coupon and share buy-back).

Condensed consolidated cash flow statement

Impact acquisition UBB/Interlease: for more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

More details available in the annual report .

Notes on statement of compliance and changes in accounting policies

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

The condensed interim financial statements of the KBC Group for the 12 months ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS'). The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2017 and 2016, which have been prepared in accordance with the endorsed IFRSs.

The following amended IFRS became effective on 1 January 2017 but did not affect KBC's financial statements:
- Amendments to IFRS 12 (Disclosure of Interests in Other Entities): Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle – 2014-2016.
- Amendments to IAS 12 (Income Taxes): Recognition of Deferred Tax Assets for Unrealised Losses.

The following amended IFRS became effective on 1 January 2017 and had an impact on KBC's financial statements:
- 'Disclosure Initiative' amendments to IAS 7 (Statement of Cash Flows) mean that additional information on material changes in liabilities arising from financing activities, is provided in the notes to the cashflow statement.

The following changes in presentation and accounting policies were applied in 2017:
- For financial liabilities, IFRS 9 changes the presentation of gains and losses on own credit risk for financial instruments designated at fair value through profit or loss. KBC early adopted this aspect of IFRS 9 with effect from 1 January 2017 and the gains and losses on own credit risk now go through other comprehensive income. The impact of early adoption is minimal given the limited effect of own credit risk.
- A change in presentation was made to 'Net fee and commission income'. In order to obtain a more transparent breakdown of net fee and commission income, this item was broken down as follows with effect from 2017 (reference figures restated accordingly): (i) Asset management services: includes the income and expense relating to entry and management fees, (ii) Banking services: includes the income and expense associated with credit/guarantee-related fees, payment service fees and securities-related fees and (iii) Distribution: includes the income and expense relating to the distribution of mutual funds, banking products and insurance products.
- In order to align with the consolidated financial reporting framework (FINREP) of the European Banking Authority, the presentation of the balance sheet was slightly changed. With effect from 2017, 'Cash and cash balances' also includes other demand deposits with credit institutions and, consequently, has been renamed 'Cash, cash balances at central banks and other demand deposits with credit institutions'. The reference figures have been restated (resulting in 538 million euros shifting mainly from 'Loans and receivables').
- Due to a change in accounting policy, the decision was taken to release the indexation provision in non-life insurance. This change was approved by the Board of Directors in August 2017. The financial statements have not been restated retroactively according to IAS 8, as the total impact on them is considered to be non-material (a one-off impact of +26 million euros, before tax).

The following IFRS were issued but not yet effective at year-end 2017. KBC will apply these standards when they become mandatory.

- IFRS 9:
  - In July 2014, the IASB issued IFRS 9 (Financial Instruments) on the classification and measurement of financial instruments, as a replacement for the relevant requirements of the present IAS 39 (Financial Instruments: Recognition and Measurement). The mandatory effective date for IFRS 9 is 1 January 2018. A project relating to IFRS 9 had been running for some time at KBC and the implementation of the systems and processes was substantially finalised in 2017. KBC will also apply IFRS 9 to its insurance entities and, therefore, not make use of the possibility offered by the IAS Board to temporarily defer implementation of IFRS 9 for its insurance entities. It will make use of transition relief as regards to disclosing comparative information at the date of initial application.

- Classification and measurement: classification and measurement of financial assets under IFRS 9 depends on the specific business model in place and the assets' contractual cashflow characteristics. The impact of first time application is due primarily to a rebalancing of part of the treasury bond portfolio (reclassification from 'Available-for-sale' to 'Amortised cost'), the recognition of unrealised gains and losses on a limited number of investments that have failed the contractual cashflow characteristics test, and the reversal of frozen available-for-sale reserves. These frozen reserves existed under IAS 39 due to historical reclassifications out of the 'Available-for-sale' category to the 'Held-to-maturity' or 'Loans and receivables' categories, but need to be reversed on transition to IFRS 9. For equity instruments not held for trading, which are situated mainly in our insurance activities, KBC will apply the overlay approach to eligible equity instruments (reflecting a consistent treatment as under IAS 39). This approach has been provided by the IASB to cover the transition period between the implementation of IFRS 9 and IFRS 17, thus ensuring there is a level playing field with other insurers and bank-insurers.
- Impairment of financial instruments: financial instruments that are subject to impairment will be classified into three stages, namely Stage 1: Performing; Stage 2: Underperforming (where lifetime expected credit losses are required to be measured); and Stage 3: Non-performing or impaired.
  KBC has established policies and processes to assess whether credit risk has increased significantly at the end of each reporting period and, therefore, whether 'staging' is required (i.e. moving from one stage to another). For the loan portfolio, a multi-tier approach has been adopted to staging, based on internal credit ratings, forbearance measures, collective assessment and days past due as a backstop. A similar multi-tier approach will be used for the investment portfolio, except that KBC will use the low-credit-risk exemption, meaning that all investment grade bonds in scope are considered to be in 'Stage 1', unless any of the other triggers indicate otherwise. For 'Stage 1' and 'Stage 2' – under IAS 39 – KBC records incurred-but-not-reported (IBNR) impairment losses, which are influenced by emergence periods. Under IFRS 9, impairment of financial assets is calculated on a 12-month expected credit loss (ECL) basis for 'Stage 1' and on a lifetime ECL basis for 'Stage 2'. As a consequence, impairment levels are generally expected to increase. Forward looking information is incorporated into the staging criteria and measurement of ECL. Different macroeconomic factors are taken into consideration and KBC applies three scenarios to evaluate a range of possible outcomes. The impact of first time application has been positively influenced by the current macroeconomic base scenario. Impairment levels under IFRS 9 will differ from current prudential requirements because of (i) application of a through-the-cycle estimate for prudential purposes as opposed to a point-in-time estimate under IFRS 9, (ii) application of a 12-month PD for prudential purposes as opposed to a lifetime PD under IFRS 9 (for 'Stage 2' and 'Stage 3') and (iii) inclusion of prudential floors and downturn adjustments in the PD, EAD and LGD estimates for prudential purposes.
- Hedge accounting: KBC will use the option to continue with hedge accounting under IAS 39 and will await further developments at the IASB regarding macro hedging.
- KBC will not make use of any transitional arrangements with regard to the impact of IFRS 9 on capital, as it wants to provide full transparency. Consequently, own funds, capital and the leverage ratio will reflect the full impact of IFRS 9.
- Overall, the first time application of IFRS 9 will have a negative impact of approximately 41 basis points on common equity tier-1 capital, due primarily to part of the treasury bond portfolio being reclassified. In accordance with IFRS, KBC will provide the transition disclosures in the earnings report for the first quarter of 2018.

- IFRS 15
  - In May 2014, the IASB issued IFRS 15 (Revenue from Contracts with Customers) concerning the recognition of revenue. The new standard will become effective on 1 January 2018. During 2017, the analysis of its impact was performed. KBC has identified the relevant contracts and assessed them using the new five-step model for revenue recognition. The main focus related to the (i) identification of the performance obligations and (ii) variable consideration in certain asset management contracts. However, as expected, no material impact was identified.

- IFRS 16
  - In January 2016, the IASB issued IFRS 16 (Leases), which will become effective on 1 January 2019. The new standard does not significantly change the accounting treatment of leases for lessors and, therefore, its impact is expected to be limited for KBC (since KBC mainly acts as a lessor rather than a lessee). An analysis of its impact is ongoing.

- 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 2021 (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 in the course of 2017. 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 2016)

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

Notes on segment reporting

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

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
12M 2017									
Net interest income	2 394	888	837	*244*	*211*	*104*	*278*	1	4 121
Non-life insurance before reinsurance	526	86	83	*35*	*25*	*23*	*0*	11	706
Earned premiums Non-life	1 043	216	224	*100*	*36*	*88*	*0*	8	1 491
Technical charges Non-life	- 516	- 130	- 141	*- 64*	*- 12*	*- 65*	*0*	3	- 785
Life insurance before reinsurance	- 132	48	25	*7*	*12*	*5*	*0*	1	- 58
Earned premiums Life	927	260	85	*16*	*49*	*20*	*0*	0	1 271
Technical charges Life	- 1 059	- 212	- 60	*- 9*	*- 36*	*- 15*	*0*	1	- 1 330
Ceded reinsurance result	- 15	- 4	9	*- 1*	*- 2*	*12*	*0*	1	- 8
Dividend income	52	0	1	*0*	*0*	*0*	*0*	10	63
Net result from financial instruments at fair value through profit or loss	539	222	95	*62*	*15*	*13*	*5*	- 1	856
Net realised result from available-for-sale assets	123	17	3	*2*	*0*	*1*	*0*	56	199
Net fee and commission income	1 290	192	232	*161*	*51*	*18*	*- 1*	- 6	1 707
Net other income	174	40	- 112	*3*	*8*	*- 4*	*- 116*	11	114
TOTAL INCOME	4 953	1 490	1 173	*514*	*320*	*172*	*167*	84	7 700
Operating expenses	- 2 452	- 646	- 837	*- 346*	*- 204*	*- 96*	*- 188*	- 140	- 4 074
Impairment	- 116	- 24	190	*8*	*- 13*	*- 20*	*215*	- 20	30
on loans and receivables	- 87	- 5	197	*11*	*- 11*	*- 17*	*215*	- 18	87
on available-for-sale assets	- 11	- 1	- 1	*0*	*0*	*- 1*	*0*	0	- 12
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
on other	- 18	- 18	- 7	*- 3*	*- 1*	*- 2*	*0*	- 2	- 45
Share in results of associated companies and joint ventures	- 13	21	4	*0*	*0*	*0*	*0*	0	11
RESULT BEFORE TAX	2 372	842	529	*176*	*103*	*56*	*193*	- 75	3 667
Income tax expense	- 797	- 140	- 85	*- 29*	*- 24*	*- 6*	*- 26*	- 71	- 1 093
RESULT AFTER TAX	1 575	702	444	*146*	*79*	*50*	*167*	- 146	2 575
Attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
NET RESULT	1 575	702	444	*146*	*79*	*50*	*167*	- 146	2 575
12M 2016									
Net interest income	2 701	849	740	*231*	*216*	*48*	*244*	- 32	4 258
Non-life insurance before reinsurance	440	78	91	*33*	*21*	*37*	*0*	18	628
Earned premiums Non-life	1 012	190	198	*82*	*32*	*83*	*0*	10	1 410
Technical charges Non-life	- 572	- 112	- 107	*- 49*	*- 12*	*- 46*	*0*	8	- 782
Life insurance before reinsurance	- 208	36	20	*4*	*12*	*4*	*0*	0	- 152
Earned premiums Life	1 217	271	89	*16*	*51*	*22*	*0*	0	1 577
Technical charges Life	- 1 425	- 234	- 69	*- 12*	*- 39*	*- 18*	*0*	0	- 1 728
Ceded reinsurance result	- 12	- 4	- 6	*- 2*	*- 1*	*- 3*	*0*	- 17	- 38
Dividend income	61	0	0	*0*	*0*	*0*	*0*	15	77
Net result from financial instruments at fair value through profit or loss	329	117	89	*66*	*15*	*2*	*6*	6	540
Net realised result from available-for-sale assets	90	48	38	*19*	*16*	*4*	*0*	13	189
Net fee and commission income	1 070	191	201	*157*	*45*	*- 4*	*- 1*	- 11	1 450
Net other income	208	18	- 1	*2*	*6*	*- 5*	*- 4*	33	258
TOTAL INCOME	4 680	1 333	1 173	*509*	*330*	*84*	*246*	25	7 211
Operating expenses	- 2 432	- 608	- 750	*- 338*	*- 199*	*- 56*	*- 154*	- 158	- 3 948
Impairment	- 179	- 24	34	*12*	*- 16*	*- 6*	*44*	- 32	- 201
on loans and receivables	- 113	- 23	42	*15*	*- 15*	*- 3*	*45*	- 32	- 126
on available-for-sale assets	- 58	3	0	*0*	*0*	*0*	*0*	0	- 55
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
on other	- 8	- 4	- 7	*- 3*	*0*	*- 3*	*- 1*	0	- 20
Share in results of associated companies and joint ventures	0	23	0	*0*	*0*	*0*	*0*	4	27
RESULT BEFORE TAX	2 070	724	457	*183*	*115*	*22*	*136*	- 161	3 090
Income tax expense	- 637	- 128	- 29	*- 54*	*- 23*	*0*	*49*	132	- 662
RESULT AFTER TAX	1 433	596	428	*130*	*92*	*22*	*184*	- 29	2 428
Attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
NET RESULT	1 432	596	428	*130*	*92*	*22*	*184*	- 29	2 427

Note: see part “income tax expense” for more details regarding impact of Belgian Corporate Income Tax reform.

Other notes

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

In millions of EUR	2017	2016	4Q 2017	3Q 2017	4Q 2016
Total	4 121	4 258	1 029	1 039	1 057
Interest income	6 337	6 642	1 590	1 605	1 593
Available-for-sale assets	650	703	159	165	172
Loans and receivables	3 819	3 805	965	976	936
Held-to-maturity investments	853	981	207	207	249
Other assets not at fair value	166	79	47	45	18
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*5 488*	*5 568*	*1 378*	*1 393*	*1 375*
Financial assets held for trading	570	661	130	145	142
Hedging derivatives	274	288	82	65	68
Other financial assets at fair value through profit or loss	5	124	1	2	9
Interest expense	-2 216	-2 384	- 561	- 566	- 537
Financial liabilities measured at amortised cost	- 955	- 870	- 242	- 249	- 197
Other	- 102	- 33	- 34	- 28	- 21
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*-1 057*	*- 903*	*- 276*	*- 277*	*- 217*
Financial liabilities held for trading	- 643	- 771	- 155	- 154	- 175
Hedging derivatives	- 479	- 564	- 121	- 126	- 132
Interest expense on financial asset at Fair Value	0	0	0	0	0
Other financial liabilities at fair value through profit or loss	- 29	- 139	- 6	- 7	- 11
Net interest expense on defined benefit plans	- 8	- 6	- 2	- 2	- 2

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

The result from financial instruments at fair value through profit or loss in 4Q 2017 is 52 million euros higher compared to 3Q 2017. The quarter-on-quarter increase is due to:

- mainly a higher level of dealing room income in Belgium related to FX derivatives
- to a lesser extent higher positive market value adjustments in 4Q 2017 (mainly as a result of changes in the underlying market value of the derivative portfolio and decrease of the credit spreads) compared to 3Q 2017

Compared to 4Q 2016, the result from financial instruments at fair value through profit or loss is 11 million euros higher in 4Q 2017, for a large part explained by:

- a higher level of dealing room income in Belgium as well as in the Czech Republic
- partly offset by lower results for MtM ALM derivatives (mainly due to the increase of interest rates in 4Q 2016, while less outspoken interest rate movements in 4Q 2017) and to a lesser extent lower positive market value adjustments in 4Q 2017 compared to 4Q 2016

On a full-year basis, the result from financial instruments at fair value through profit or loss is 316 million euros higher compared to 2016, for a large part explained by:

- a substantially higher level of dealing room income mainly driven by outperformance in dealingroom activities in Belgium and in the Czech Republic.
- positive market value adjustments in 2017 (compared to zero in 2016)

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

In millions of EUR	2017	2016	4Q 2017	3Q 2017	4Q 2016
Total	199	189	51	51	8
Breakdown by portfolio					
Fixed-income securities	29	24	5	2	3
Shares	170	165	46	49	6

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

In millions of EUR	2017	2016	4Q 2017	3Q 2017	4Q 2016
Total	1 707	1 450	430	408	376
Income	2 615	2 101	641	606	552
Expense	- 908	- 651	- 210	- 198	- 176
Breakdown by type					
Asset Management Services	1 232	1 013	301	295	270
Income	1 289	1 050	316	308	280
Expense	- 57	- 37	- 15	- 13	- 10
Banking Services	764	718	204	187	182
Income	1 267	998	309	283	260
Expense	- 502	- 280	- 106	- 96	- 78
Distribution	- 290	- 281	- 75	- 74	- 75
Income	59	54	15	15	13
Expense	- 349	- 335	- 89	- 89	- 88

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

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

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

In millions of EUR	2017	2016	4Q 2017	3Q 2017	4Q 2016
Total	114	258	- 14	4	101
Of which net realised result following					
The sale of loans and receivables	3	2	1	0	2
The sale of held-to-maturity investments	3	4	0	0	1
The repurchase of financial liabilities measured at amortised cost	0	- 7	0	0	0
Other: of which:	109	259	- 15	4	98
Income concerning leasing at the KBC Lease-group	73	78	14	19	19
Income from Group VAB	64	69	15	13	16
Tracker mortgage review provision	- 116	- 4	- 62	- 54	- 4
Impact of surrender of a reinsured contract	1	25	1	5	25
One-off fee paid (Bulgaria)	- 5	0	0	- 5	0
Settlement of an old legal file (Czech Republic)	14	0	0	0	0

Tracker mortgage review provision:

Like all major lenders in Ireland, KBC Bank Ireland offered tracker mortgage loans. In KBC Bank Ireland, these were available between 2003 and 2008.

In December 2015, the Central Bank of Ireland (“CBI”) requested the Irish banking industry, including KBC Bank Ireland, to undertake a broad and wide ranging examination of tracker mortgage related issues. The purpose of the tracker mortgage review is to identify cases where customers’ contractual rights under the terms of their mortgage agreements were not fully honoured and/or lenders did not fully comply with the various requirements and standards regarding disclosure and transparency for the customer. In situations where customer detriment is identified from this examination, the Bank is required to provide appropriate redress and compensation in line with the CBI ‘Principles for Redress’. In 2016, the Bank recognised a provision of 4 million euros in respect of redress and compensation for identified impacted customers.

Following further testing and engagement with the CBI during 2017, the KBC Bank Ireland has identified further impacted customers for which redress and compensation is required. During 2017, the Bank recognised an additional provision of 116 million euros (of which 54.4 million euros in 3Q 2017 and 61.5 million euros in 4Q 2017). This represents the best estimate of the potential liability at 31 December 2017. Redress and compensation payments are expected to be made to all impacted customers during 2018.

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
12M 2017				
Earned premiums, insurance (before reinsurance)	1 273	1 510		2 784
Technical charges, insurance (before reinsurance)	- 1 331	- 785		- 2 116
Net fee and commission income	- 20	- 292		- 312
Ceded reinsurance result	1	- 9		- 8
Operating expenses	- 140	- 247	- 3	- 389
Internal costs claim paid	- 8	- 56		- 65
Administration costs related to acquisitions	- 31	- 73		- 103
Administration costs	- 100	- 118		- 218
Management costs investments	0	0	- 3	- 3
Technical result	- 216	178	- 3	- 41
Net interest income			564	564
Dividend income			39	39
Net result from financial instruments at fair value			- 2	- 2
Net realised result from AFS assets			84	84
Net other income			- 10	- 10
Impairments			- 12	- 12
Allocation to the technical accounts	537	87	- 624	0
Technical-financial result	320	265	35	621
Share in results of associated companies and joint ventures			4	4
RESULT BEFORE TAX	320	265	39	624
Income tax expense				- 187
RESULT AFTER TAX				438
attributable to minority interest				0
attributable to equity holders of the parent				438
12M 2016				
Earned premiums, insurance (before reinsurance)	1 579	1 428		3 007
Technical charges, insurance (before reinsurance)	- 1 728	- 784		- 2 512
Net fee and commission income	- 29	- 272		- 301
Ceded reinsurance result	- 1	- 37		- 38
Operating expenses	- 135	- 242	- 3	- 380
Internal costs claim paid	- 8	- 54		- 62
Administration costs related to acquisitions	- 32	- 80		- 112
Administration costs	- 95	- 108		- 203
Management costs investments	0	0	- 3	- 3
Technical result	- 315	94	- 3	- 224
Net interest income			614	614
Dividend income			45	45
Net result from financial instruments at fair value			- 10	- 10
Net realised result from AFS assets			56	56
Net other income			18	18
Impairments			- 55	- 55
Allocation to the technical accounts	558	73	- 631	0
Technical-financial result	242	167	35	445
Share in results of associated companies and joint ventures			4	4
RESULT BEFORE TAX	242	167	39	449
Income tax expense				- 135
RESULT AFTER TAX				314
attributable to minority interest				0
attributable to equity holders of the parent				314

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

The technical charges Non-Life include the release the indexation provision for 26 million euros (before tax) in 3Q 2017. More info, see note 1.1.

The technical charges Life include a positive impact of a release of a specific Life reserve (the so-called flashing light reserve in Belgium) for an amount of +23 million euros (before tax) in 3Q 2017. This reserve covers the interest rate risk resulting from the difference between the high guaranteed interest rate and a prescribed interest rate, which is based on the 5-year historic average of the 10Y OLO. As the contracts with a guaranteed interest rate above this prescribed interest rate reach maturity, the need for this reserve declines and as such the reserve can be reduced in line with the run-off of these insurance contracts.

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

The operating expenses for 4Q 2017 include 41 million euros related to bank (and insurance) levies (18 million euros in 3Q 2017 and 27 million euros in 4Q 2016; 439 million euros in 12M 2017 and 437 million euros in 12M 2016). Application of IFRIC 21 (Levies) has as a consequence that a large part of the levies are taken upfront in expense of the first quarter of the year.

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

In millions of EUR	2017	2016	4Q 2017	3Q 2017	4Q 2016
Total	30	- 201	- 2	- 31	- 73
Impairment on loans and receivables	87	- 126	30	- 15	- 54
Breakdown by type					
Specific impairments for on-balance-sheet lending	86	- 75	- 2	5	- 45
Provisions for off-balance-sheet credit commitments	- 59	8	- 1	- 31	4
Portfolio-based impairments	60	- 58	33	11	- 13
Breakdown by business unit					
Business unit Belgium	- 87	- 113	- 12	- 21	- 46
Business unit Czech Republic	- 5	- 23	2	- 1	- 11
Business unit International Markets	197	42	45	12	8
of which: Hungary	*11*	*15*	*1*	*0*	*1*
of which: Slovakia	*- 11*	*- 15*	*- 2*	*- 7*	*- 7*
of which: Bulgaria	*- 17*	*- 3*	*- 7*	*- 7*	*1*
of which: Ireland	*215*	*45*	*52*	*26*	*12*
Group Centre	- 18	- 32	- 4	- 6	- 5
Impairment on available-for-sale assets	- 12	- 55	- 3	- 6	- 4
Breakdown by type					
Shares	- 12	- 58	- 3	- 6	- 7
Other	0	3	0	0	3
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 45	- 20	- 29	- 11	- 15
Intangible assets, other than goodwill	- 13	- 11	- 12	- 1	- 10
Property and equipment and investment property	- 28	- 7	- 16	- 8	- 5
Held-to-maturity assets	- 1	- 1	0	0	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 4	- 1	0	- 2	1

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

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

Deferred taxes on temporary differences have been recalculated in 4Q 2017 based both on the new tax rates in Belgium and the timing of their expected reversals. In this regard, management has exercised judgement in deciding which temporary differences are expected to reverse before 2020, on which the tax rate of 29,58 % is applicable, and those temporary differences expected to reverse after 2020 to which the tax rate of 25% is applied.

As a result of the gradual decrease of the tax rate, 4Q17 includes a one-off negative effect in P&L (income tax expense) of 243 million euros which only have a small . positive one-off impact (of roughly +0.1%) on our common equity ratio at the end of 2017 (thanks in part to higher revaluation reserves for available-for-sale assets (after tax) and lower risk-weighted assets resulting from the lower level of outstanding deferred tax assets). In the segment reporting (note 2.2), the 243 million euros is for 158 million euros included in Group Centre (part related to legacy activities) and 85 million euros in Business Unit Belgium (part not related to legacy activities).

Additionally for qualifying dividends, i.e. received from participations in which 10% is held or an acquisition price of 2.5 million euros is paid and the dividend is distributed out of principally taxed profits, a 95% tax exemption existed until income year 2017. Qualified dividends received from 2018 onwards are fully exempt from Belgian Corporate Income Tax. This led to a one-off positive P&L impact of 32 million euros in 4Q17 (included in Group Centre).

We expect this to have a recurring positive impact on the income statement from 2018 onwards, because of the lower tax rate applying to the Belgian group companies and the introduction of a 100% exemption for dividends received (instead of 95%). But partly offset by the negative impact of some offsetting measures, of which the reform of the Notional Interest Deduction regime, currently estimated at roughly 15 million euros.

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

The impact of the acquisition of UBB/Interlease on the financial assets and liabilities by product is shown in an additional pro forma column 'Total excluding UBB/Interlease' for informational purposes in order to provide a transparent view on the evolution of the financial assets and liabilities excluding this acquisition. For more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Total	Total excluding UBB/Interlease
FINANCIAL ASSETS, 31-12-2017								
Loans and advances to credit institutions and investment firms [a]	3	0	0	24 448	-	-	24 450	24 415
Loans and advances to customers [b]	0	38	0	141 464	-	-	141 502	139 707
Excluding reverse repos	*0*	*38*	*0*	*140 960*	-	-	*140 999*	*139 208*
Trade receivables	0	0	0	3 986	-	-	3 986	3 986
Consumer credit	0	0	0	3 857	-	-	3 857	3 519
Mortgage loans	0	23	0	60 601	-	-	60 625	59 781
Term loans	0	15	0	62 328	-	-	62 343	62 078
Finance leasing	0	0	0	5 308	-	-	5 308	5 149
Current account advances	0	0	0	4 728	-	-	4 728	4 537
Securitised loans	0	0	0	0	-	-	0	0
Other	0	0	0	656	-	-	656	656
Equity instruments	508	0	1 658	-	-	-	2 165	2 158
Investment contracts (insurance)	-	14 421	-	-	-	-	14 421	14 421
Debt securities issued by	1 156	24	32 498	921	30 979	-	65 578	64 838
Public bodies	955	0	22 307	52	29 096	-	52 410	51 685
Credit institutions and investment firms	121	0	4 468	125	1 177	-	5 891	5 891
Corporates	80	24	5 723	744	706	-	7 277	7 263
Derivatives	5 765	-	-	-	-	245	6 010	6 010
Other	0	0	0	626	0	0	626	626
Total carrying value	7 431	14 484	34 156	167 458	30 979	245	254 753	252 174
[a] *Of which reverse repos*							*19 572*	*19 572*
[b] *Of which reverse repos*							*504*	*498*

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Total
FINANCIAL ASSETS, 31-12-2016							
Loans and advances to credit institutions and investment firms [a]	6	1	0	16 922	-	-	16 929
Loans and advances to customers [b]	1	77	0	133 154	-	-	133 231
Excluding reverse repos	*1*	*45*	*0*	*132 810*	-	-	*132 856*
Trade receivables	0	0	0	3 549	-	-	3 549
Consumer credit	0	0	0	3 180	-	-	3 180
Mortgage loans	0	29	0	57 307	-	-	57 335
Term loans	0	49	0	59 035	-	-	59 083
Finance leasing	0	0	0	4 916	-	-	4 916
Current account advances	0	0	0	4 640	-	-	4 640
Other	1	0	0	527	-	-	528
Equity instruments	427	2	1 723	-	-	-	2 153
Investment contracts (insurance)	-	13 693	-	-	-	-	13 693
Debt securities issued by	1 001	411	34 985	1 015	33 697	-	71 109
Public bodies	713	47	22 982	16	32 131	-	55 889
Credit institutions and investment firms	127	174	5 032	140	948	-	6 421
Corporates	161	190	6 970	859	618	-	8 799
Derivatives	8 249	-	-	-	-	410	8 659
Other	0	0	0	524	-	-	525
Total carrying value	9 683	14 184	36 708	151 615	33 697	410	246 298
[a] *Of which reverse repos*							*11 776*
[b] *Of which reverse repos*							*376*

In millions of EUR	Held for trading	Designated at fair value	Hedging derivatives	Measured at amortised cost	Total	Total excluding UBB/Interlease
FINANCIAL LIABILITIES, 31-12-2017						
Deposits from credit institutions and investment firms [a]	3	12	-	33 321	33 337	33 326
Deposits from customers and debt certificates [b]	219	1 470	-	192 279	193 968	190 968
Excluding repos	*219*	*1 470*	-	*192 019*	*193 708*	*190 708*
Demand deposits	0	0	-	73 606	73 606	72 173
Time deposits	11	403	-	19 243	19 657	18 844
Saving accounts	0	0	-	56 692	56 692	55 980
Special deposits	0	0	-	2 235	2 235	2 235
Other deposits	0	0	-	549	549	508
Certificates of deposit	0	14	-	22 579	22 593	22 593
Customer savings certificates	0	0	-	1 721	1 721	1 721
Non-convertible bonds	208	866	-	12 323	13 397	13 397
Non-convertible subordinated liabilities	0	186	-	3 330	3 516	3 516
Liabilities under investment contracts	-	13 552	-	0	13 552	13 552
Derivatives	5 868	0	1 284	-	7 152	7 151
Short positions	905	0	-	-	905	905
in equity instruments	13	0	-	-	13	13
in debt instruments	892	0	-	-	892	892
Other	3	0	-	2 344	2 347	2 347
Total carrying value	6 998	15 034	1 284	227 944	251 260	248 249
[a] *Of which repos*					*5 575*	*5 575*
[b] *Of which repos*					*260*	*260*

In millions of EUR	Held for trading	Designated at fair value	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2016					
Deposits from credit institutions and investment firms [a]	5	1 766	-	30 248	32 020
Deposits from customers and debt certificates [b]	541	2 134	-	175 055	177 730
Excluding repos	*536*	*1 869*	-	*175 017*	*177 421*
Demand deposits	0	0	-	63 427	63 427
Time deposits	117	1 100	-	21 027	22 245
Saving accounts	0	0	-	53 328	53 328
Special deposits	0	0	-	2 056	2 056
Other deposits	0	0	-	630	630
Certificates of deposit	0	14	-	16 629	16 643
Customer savings certificates	0	0	-	1 959	1 959
Non-convertible bonds	424	744	-	12 889	14 057
Non-convertible subordinated liabilities	0	276	-	3 109	3 385
Liabilities under investment contracts	-	12 653	-	0	12 653
Derivatives	7 334	-	1 704	-	9 037
Short positions	665	0	-	-	665
in equity instruments	36	0	-	-	36
in debt instruments	629	0	-	-	629
Other	13	0	-	2 182	2 195
Total carrying value	8 559	16 553	1 704	207 485	234 300
[a] *Of which repos*					*9 420*
[b] *Of which repos*					*309*

Additional information on quarterly time series

Loans and deposits

Included in part income statement, volumes and ratio's per business unit.

Technical provisions plus unit-lined, life insurance

Included in part income statement, volumes and ratio's per business unit.

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

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

Fair value hierarchy				31-12-2017				31-12-2016
In millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	1 122	4 402	1 907	7 431	1 034	6 585	2 064	9 683
Designated at fair value	13 949	525	10	14 484	13 377	616	191	14 184
Available for sale	26 374	6 812	970	34 156	31 427	3 716	1 565	36 708
Hedging derivatives	0	245	0	245	0	410	0	410
Total	41 445	11 984	2 887	56 316	45 838	11 328	3 820	60 986
Financial liabilities measured at fair value								
Held for trading	909	3 872	2 218	6 998	665	5 659	2 234	8 559
Designated at fair value	13 544	904	585	15 034	12 652	3 344	557	16 553
Hedging derivatives	0	1 284	0	1 284	0	1 704	0	1 704
Total	14 453	6 060	2 803	23 316	13 318	10 707	2 791	26 815

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

During 2017, a total amount of 2 983 million euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred 176 million euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due a change in valuation methodology driven by the implementation in 3Q 2017 of a fully automated process using the BVAL valuation for bonds of KBC Bank, CBC Banque, KBC Insurance and KBC Credit Investments. BVAL is a widely used pricing solution offered by Bloomberg which uses an average of market prices to provide quotes for bonds. The use of BVAL, changes the corresponding fair value levelling.

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

In 2017, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- In the assets held for trading, the main changes relate to:
    - Lower fair value of debt securities by 90 million euros, mainly due to the termination of CDO deals and sales (105 million euros), maturing deals, fair value changes and shifts in exchange rates (20 million euros), partly offset by purchase of investment certificates (40 million euros).
    - Lower fair value of derivatives by 83 million euros, mainly driven by expiring deals (375 million euros) partly offset by new deals (230 million euros) and changes in fair value (70 million euros).
- In the assets designated at fair value through profit and loss, the fair value of debt securities decreased by 198 million euros, mainly due to the termination of CDO deals (162 million euros) and transfers out of level 3 (14 million euros) due to changes in liquidity of the instruments and fair value changes. The remaining decrease is a combination of purchases and exchange rate shifts.

- The available for sale category dropped with 595 million euros:
    - In the available for sale debt securities, total fair value decreased by 554 million euros, mainly driven by the net transfer out of level 3 mostly due to the use of BVAL pricing (318 million euros), sales (107 million euros) and maturing bonds (153 million euros). This was partly offset by acquisitions.
    - In the available for sale unquoted equities, total fair value decreased by 40 million euros mainly due to sales and changes in consolidation scope (78 million euros), transfers out of level 3 due to changes in liquidity (49 million euros), partly offset by new acquisitions (76 million euros) and positive fair value changes (9 million euros).
- In the liabilities held for trading, total fair value of derivatives decreased by 16 million euros mainly due to expired deals and fair value changes (304 million euros), largely offset by new deals (288 million euros)
- In the liabilities designated at fair value, the fair value of debt securities issued increased by 28 million euros, mainly due to new issues of debt certificates (263 million euros) and fair value changes (8 million euros), partly offset by maturity of own issued instruments and expired CDO deals (243 million euros).

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

in number of shares	31-12-2017	31-12-2016
Ordinary shares	**418 597 567**	**418 372 082**
of which ordinary shares that entitle the holder to a dividend payment	*418 597 567*	*418 372 082*
of which treasury shares	*64 845*	*2*
Other information		
Par value per ordinary share (in EUR)	3,48	3,48
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels).
The treasury shares at 31 December 2017 almost fully relate to positions in shares of KBC Group to hedge outstanding equity derivatives.

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

In 2016:
no material changes

In 2017:
On 30 December 2016, KBC announced the acquisition of 99,91% of the shares of the United Bulgarian Bank AD and 100% of Interlease EAD in Bulgaria for a total consideration of 610 million euros, without any contingent consideration. On 13 June 2017, KBC completed this acquisition after approval by the relevant regulatory authorities and received anti-trust approval (final total consideration is 609 million euros fully paid in cash).

This transaction substantially strengthens KBC's position in Bulgaria. UBB is Bulgaria's fourth-largest banking group by total assets with market share of 7,4% as at the end of March 2017. UBB caters for approximately 875 000 retail clients with market share of 9,7% in retail loans. UBB also has a strong presence in the corporate banking market with a share of 7,6% in corporate loans. The table below summarizes the provisional fair values of the main assets and liabilities which are part of the acquisition of UBB/Interlease.

The legal merger of CIBank into UBB was approved early February 2018. The new group United Bulgarian Bank AD (UBB) has become the largest bank-insurance group in Bulgaria with a substantial increase in profit contribution.
The operational integration of the business entities will be gradually introduced in the coming months. KBC envisages substantial value creation for shareholders through income and cost synergies.

The consolidated figures in these condensed interim financial statements include the impact of this announced acquisition as of 30 June 2017:

- KBC recorded a provisional goodwill in its consolidated financial statements of 107 million euro at 30 June 2017 -slightly amended to 109 million euro at 30 September 2017 - taking into account specific negative fair value adjustments amounting to 83 million euro after tax which KBC identified during the due diligence process. Note that IFRS 3 (Business Combinations) allows to adjust the amount of goodwill during the 12 months measurement period starting from the acquisition date, hence the amount of goodwill is provisional and subject to change. The goodwill is not deductible for tax purposes.
- UBB and Interlease are part of the operating segment International Markets, country Bulgaria (see note 2).

- The impact of this acquisition on the financial assets and liabilities by product is shown in note 4.1: this note includes an additional pro forma column ‘Total excluding UBB/Interlease’ for informational purposes in order to provide a transparent view on the evolution of the financial assets and liabilities excluding this acquisition.
- There is an impact on the income statement as of 3Q 2017, but not yet in 2Q 2017 as the closing date (on which the control was transferred to KBC) was very close to 30 June 2017. For the contribution of UBB/Interlease to the consolidated income statement of KBC: see table below.
- The transaction had only a limited negative impact of 0.50% on KBC’s solid capital position of 30 June 2017, keeping its CET1 ratio well above the regulatory minimum capital requirements.

in millions of EUR	31-12-2017
Percentage of shares bought (+) or sold (-) in the relevant year	UBB 99,91% / Interlease 100%
For business unit/segment	Bulgaria
Deal date (month and year)	June 2017
Incorporation of the result of the company in the result of the group as of:	01-07-2017
Purchase price or sale price	609
Cashflow for acquiring or selling companies less cash and cash equivalents acquired	185
Recognised amounts of identifiable assets acquired and liabilities assumed - provisional fair value (*)	
Cash and cash balances with central banks	693
Financial assets	2 810
Held for trading	502
Available for sale	335
Loans and receivables	1 973
Tax assets	12
Investments in associated companies and joint ventures	17
Investment property	15
Property and equipment	20
Goodwill and other intangible assets	4
Other assets	20
of which: cash and cash equivalents (included in the assets above)	*801*
Financial liabilities	3 063
Measured at amortised cost	3 062
Other liabilities	20
of which: cash and cash equivalents (included in the liabilities above)	*7*

(*) after elimination of intragroup transactions within the KBC Group

Consolidated income statement - United Bulgarian Bank AD

(in millions of EUR)	2H 2017	4Q 2017	3Q 2017
Net interest income	55	27	28
Interest income	59	29	30
Interest expense	- 4	- 2	- 2
Dividend income	0	0	0
Net result from financial instruments at fair value through profit or loss	10	4	6
Net realised result from available-for-sale assets	0	0	0
Net fee and commission income	23	11	12
Fee and commission income	26	13	13
Fee and commission expense	- 3	- 1	- 2
Net other income	- 5	- 1	- 4
TOTAL INCOME	83	41	42
Operating expenses	- 40	- 20	- 20
Staff expenses	- 20	- 11	- 10
General administrative expenses	- 17	- 8	- 9
Depreciation and amortisation of fixed assets	- 3	- 1	- 1
Impairment	- 13	- 7	- 7
on loans and receivables	- 12	- 6	- 6
on available-for-sale assets	- 1	0	- 1
on goodwill	0	0	0
on other	0	0	0
Share in results of associated companies and joint ventures	0	- 1	1
RESULT BEFORE TAX	30	14	16
Income tax expense	- 3	- 1	- 2
RESULT AFTER TAX	**27**	**13**	**14**
Attributable to minority interest	0	0	0
Attributable to equity holders of the parent	**27**	**13**	**14**

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

Significant non-adjusting events between the balance sheet date (31 December 2017) and the publication of this report (22 February 2018): none.

KBC Group
Additional Information
4Q 2017 and FY 2017

Credit risk

Snapshot of the credit portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Information specifically on sovereign bonds can be found under 'note 6.7 (in the annual accounts 2016)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-12-2017	31-12-2016
Amount granted	191	181
Amount outstanding [1]	154	148
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	63%	65%
Czech Republic	16%	15%
International Markets	18%	17%
Group Centre	3%	3%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	42.1%	42.3%
Finance and insurance	5.2%	5.7%
Authorities	2.8%	3.1%
Corporates	49.8%	48.9%
services	11.6%	11.5%
distribution	7.6%	7.6%
real estate	7.0%	6.9%
building & construction	4.2%	4.2%
agriculture, farming, fishing	2.8%	2.8%
automotive	2.3%	2.2%
electricity	1.7%	1.6%
food producers	1.5%	1.4%
metals	1.4%	1.4%
chemicals	1.2%	1.1%
shipping	1.2%	1.2%
machinery & heavy equipment	1.1%	1.1%
traders	1.0%	0.9%
hotels, bars & restaurants	0.8%	0.9%
oil, gas & other fuels	0.7%	0.7%
electrotechnics	0.6%	0.6%
textile & apparel	0.5%	0.4%
other [2]	2.6%	2.5%
Total outstanding loan portfolio geographical breakdown		
Home countries	88.5%	88.2%
Belgium	55.5%	56.8%
Czech Republic	14.8%	14.0%
Ireland	7.8%	8.9%
Slovakia	4.9%	4.8%
Hungary	3.3%	3.1%
Bulgaria	2.1%	0.6%
Rest of Western Europe	7.4%	7.3%
France	1.9%	1.8%
Netherlands	1.6%	1.7%
Great Britain	1.1%	1.1%
Spain	0.5%	0.6%
Luxemburg	0.6%	0.6%
Germany	0.6%	0.4%
other	1.1%	1.0%
Rest of Central Europe	0.4%	0.5%
Russia	0.1%	0.1%
other	0.4%	0.4%
North America	1.4%	1.6%
USA	1.1%	1.4%
Canada	0.3%	0.2%
Asia	0.8%	0.8%
China	0.3%	0.3%
Hong Kong	0.2%	0.2%
Singapore	0.2%	0.2%
other	0.1%	0.1%
Rest of the world	1.4%	1.6%

Impaired loans (in millions of EUR or %)	31-12-2017	31-12-2016
Amount outstanding	9 186	10 583
of which: more than 90 days past due	5 242	5 711
Ratio of impaired loans, per business unit		
Belgium	2.8%	3.3%
Czech Republic	2.4%	2.8%
International Markets	19.7%	25.4%
Group Centre	9.8%	8.8%
Total	6.0%	7.2%
of which: more than 90 days past due	3.4%	3.9%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	4 039	4 874
of which: more than 90 days past due	3 361	3 603
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	44%	46%
of which: more than 90 days past due	64%	63%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	54%	54%
of which: more than 90 days past due	73%	72%
Credit cost, by business unit (%)		
Belgium	0.09%	0.12%
Czech Republic	0.02%	0.11%
International Markets	-0.74%	-0.16%
Slovakia	0.16%	0.24%
Hungary	-0.22%	-0.33%
Bulgaria	0.83%	0.32%
Ireland	-1.70%	-0.33%
Group Centre	0.40%	0.67%
Total	-0.06%	0.09%

[1] Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees
[2] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors

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

The loan portfolios of United Bulgarian Bank AD and Interlease EAD are included in the 31 December 2017 figures for a total outstanding amount of 2.3 billion euros. This amount differs from the accounting figure of loans and advances to customers excluding reverse repos mainly since the latter amount is net of impairment. The loan portfolios are assigned to Business Unit International Markets, country Bulgaria and included in all the reported ratio's.

Credit portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium 31-12-2017, in millions of EUR	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total outstanding amount	**91 816**			**5 989**			**97 805**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	27 473	29,9%		5 989	100,0%		33 463	34,2%	
retail	64 342	70,1%		0	0,0%		64 342	65,8%	
o/w private	35 159	38,3%		0	0,0%		35 159	35,9%	
o/w companies	29 183	31,8%		0	0,0%		29 183	29,8%	
Mortgage loans [2]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	33 668	36,7%	60%	0	0,0%	-	33 668	34,4%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	1 315	1,4%	-	0	0,0%	-	1 315	1,3%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	69 799	76,0%		3 715	62,0%		73 515	75,2%	
medium risk (PD 5-7; 0.80%-6.40%)	17 031	18,5%		1 856	31,0%		18 887	19,3%	
high risk (PD 8-9; 6.40%-100.00%)	2 477	2,7%		97	1,6%		2 574	2,6%	
impaired loans (PD 10 - 12)	2 401	2,6%		317	5,3%		2 718	2,8%	
unrated	107	0,1%		5	0,1%		112	0,1%	
Overall risk indicators		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	2 401	1 037	43,2%	317	169	53,5%	2 718	1 207	44,4%
o/w PD 10 impaired loans	1 088	144	13,3%	222	96	43,3%	1 310	240	18,3%
o/w more than 90 days past due (PD 11+12)	1 313	893	68,0%	95	74	77,3%	1 408	966	68,6%
all impairments (specific + portfolio based)	n.a.			n.a.			1 310		
o/w portfolio based impairments	n.a.			n.a.			103		
o/w specific impairments	1 037			169			1 207		
2016 Credit cost ratio (CCR)	0,11%			0,32%			0,12%		
2017 Credit cost ratio (CCR)	0,08%			0,19%			0,09%		

Remarks

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

[2] Mortgage loans: only to private persons (as opposed to the accounting figures)

Loan portfolio Business Unit Czech Republic

31-12-2017, in millions of EUR

				For information: ČMSS [3] *(consolidated via equity-method)*		
Total outstanding amount	**24 348**			**2 468**		
Counterparty break down		% outst.			% outst.	
SME / corporate	7 553	31,0%		0	0,0%	
retail	16 795	69,0%		2 468	100,0%	
o/w private	12 093	49,7%		2 456	99,5%	
o/w companies	4 702	19,3%		12	0,5%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV
total	10 944	45,0%	65%	1 919	77,7%	62%
o/w FX mortgages	0	0,0%	-	0	0,0%	-
o/w ind. LTV > 100%	260	1,1%	-	80	3,2%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	17 002	69,8%		1 867	75,6%	
medium risk (PD 5-7; 0.80%-6.40%)	5 886	24,2%		369	14,9%	
high risk (PD 8-9; 6.40%-100.00%)	864	3,5%		153	6,2%	
impaired loans (PD 10 - 12)	576	2,4%		79	3,2%	
unrated	21	0,1%		0	0,0%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	576	332	57,7%	79	41	51,6%
o/w PD 10 impaired loans	182	61	33,6%	11	2	15,5%
o/w more than 90 days past due (PD 11+12)	394	271	68,9%	68	39	57,5%
all impairments (specific + portfolio based)	372			47		
o/w portfolio based impairments	40			6		
o/w specific impairments	332			41		
2016 Credit cost ratio (CCR)	0,11%			n/a		
2017 Credit cost ratio (CCR)	0,02%			0,16%		

[1] Mortgage loans: only to private persons (as opposed to the accounting figures)
[2] CCR at country level in local currency
[3] ČMSS: pro-rata figures, corresponding with KBC's 55%-participation in ČMSS

Loan portfolio Business Unit International Markets
31-12-2017, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total outstanding amount	**12 128**			**7 307**			**4 973**			**3 289**			**27 711**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	1 174	9.7%		2 858	39.1%		2 944	59.2%		968	29.4%		7 960	28.7%	
retail	10 954	90.3%		4 449	60.9%		2 028	40.8%		2 320	70.6%		19 752	71.3%	
o/w private	10 941	90.2%		3 596	49.2%		1 859	37.4%		1 271	38.7%		17 667	63.8%	
o/w companies	13	0.1%		853	11.7%		169	3.4%		1 049	31.9%		2 085	7.5%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	10 901	89.9%	74%	3 122	42.7%	67%	1 695	34.1%	67%	669	20.4%	70%	16 388	59.1%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	9	0.2%	133%	124	3.8%	64%	133	0.5%	
o/w ind. LTV > 100%	1 700	14.0%	-	18	0.2%	-	255	5.1%	-	46	1.4%	-	2 019	7.3%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	812	6.7%		5 326	72.9%		2 532	50.9%		806	24.5%		9 483	34.2%	
medium risk (PD 5-7; 0.80%-6.40%)	5 833	48.1%		1 488	20.4%		1 877	37.7%		1 343	40.9%		10 549	38.1%	
high risk (PD 8-9; 6.40%-100.00%)	1 234	10.2%		274	3.7%		238	4.8%		287	8.7%		2 032	7.3%	
impaired loans (PD 10 - 12)	4 249	35.0%		191	2.6%		323	6.5%		710	21.6%		5 473	19.7%	
unrated	0	0.0%		28	0.4%		4	0.1%		142	4.3%		174	0.6%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	4 249	1 514	35.6%	191	128	66.9%	323	190	58.8%	710	406	57.1%	5 473	2 238	40.9%
o/w PD 10 impaired loans	2 163	321	14.8%	29	12	42.8%	61	19	31.9%	94	3	3.6%	2 347	356	15.2%
o/w more than 90 days past due (PD 11+12)	2 086	1 193	57.2%	162	115	71.2%	262	170	65.1%	616	402	65.3%	3 126	1 881	60.2%
all impairments (specific + portfolio based)	1 550			140			201			415			2 306		
o/w portfolio based impairments	36			12			11			9			69		
o/w specific impairments	1 514			128			190			406			2 238		
2016 Credit cost ratio (CCR)	-0.33%			0.24%			-0.33%			0.32%			-0.16%		
2017 Credit cost ratio (CCR)	-1.70%			0.16%			-0.22%			0.83%			-0.74%		

Remarks

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

[1] Mortgage loans: only to private persons (as opposed to the accounting figures)

[2] CCR at country level in local currency

Loan portfolio Group Centre
31-12-2017, in millions of EUR

	Total Group Centre [1]		
Total outstanding amount	**4 296**		
Counterparty break down		% outst.	
SME / corporate	4 296	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans [2]		% 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%)	3 190	74.2%	
medium risk (PD 5-7; 0.80%-6.40%)	587	13.7%	
high risk (PD 8-9; 6.40%-100.00%)	82	1.9%	
impaired loans (PD 10 - 12)	420	9.8%	
unrated	18	0.4%	
Overall risk indicators		spec. Imp.	% cover
outstanding impaired loans	420	262	62.5%
o/w PD 10 impaired loans	106	21	19.7%
o/w more than 90 days past due (PD 11+12)	314	242	76.9%
all impairments (specific + portfolio based)	288		
o/w portfolio based impairments	25		
o/w specific impairments	262		
2016 Credit cost ratio (CCR)	0.67%		
2017 Credit cost ratio (CCR)	0.40%		

Remarks

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

[2] Mortgage loans: only to private persons (as opposed to the accounting figures)

Solvency

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

Solvency KBC Group

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

In addition to the solvency ratios under CRD IV/CRR, KBC is considered a financial conglomerate since it covers both significant banking and insurance activities. Therefore KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC. 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. 86% according to Advanced and approx. 6% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The 2018 minimum CET1 requirement that KBC is to uphold is set at 9.875% (phased-in, Danish Compromise) which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (1.875% Capital Conservation Buffer, 1.50% Systemic Buffer and 0.25% Countercycle Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%. For further information see press release of 22 February 2018 on www.kbc.com.

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

Overview of KBC Group's capital ratios - In millions of EUR - 31-12-2017

		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	15 131	91 972	16,45%
	Fully loaded	15 104	92 410	16,34%
Deduction Method	Fully loaded	14 146	87 052	16,25%
Financial Conglomerates Directive	Fully loaded	15 988	106 062	15,07%

In millions of EUR	31-12-2017 Fully loaded	Phased-in	31-12-2016 Fully loaded	Phased-in
Total regulatory capital (after profit appropriation)	18 706	18 725	17 571	17 887
Tier-1 capital	16 504	16 549	15 286	15 473
Common equity	15 104	15 131	13 886	14 033
Parent shareholders' equity (after deconsolidating KBC Insurance)	16 841	16 841	15 500	15 500
Intangible fixed assets (incl deferred tax impact) (-)	- 475	- 475	- 400	- 400
Goodwill on consolidation (incl deferred tax impact) (-)	- 604	- 604	- 483	- 483
Minority interests	0	0	0	0
AFS revaluation reserve bonds (-)		- 117		- 206
Hedging reserve (cash flow hedges) (-)	1 339	1 339	1 356	1 356
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 1	- 1	- 18	- 18
Value adjustment due to the requirements for prudent valuation (-)	- 124	- 111	- 140	- 109
Dividend payout (-)	- 837	- 837	- 753	- 753
Renumeration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 91	- 91	- 91	- 91
IRB provision shortfall (-)	- 268	- 268	- 203	- 203
Deferred tax assets on losses carried forward (-)	- 672	- 542	- 879	- 557
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 400	1 418	1 400	1 440
Grandfathered innovative hybrid tier-1 instruments	0	18	0	40
Grandfathered non-innovative hybrid tier-1 instruments	0	0	0	0
CRR compliant AT1 instruments	1 400	1 400	1 400	1 400
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	2 202	2 176	2 285	2 414
IRB provision excess (+)	316	316	367	362
Subordinated liabilities	1 886	1 860	1 918	2 053
Total weighted risk volume	92 410	91 972	87 782	86 878
Banking	83 117	82 679	78 482	77 579
Insurance	9 133	9 133	9 133	9 133
Holding activities	202	202	198	198
Elimination of intercompany transactions	- 43	- 43	- 32	- 32
Solvency ratios				
Common equity ratio	16,34%	16,45%	15,82%	16,15%
Tier-1 ratio	17,86%	17,99%	17,41%	17,81%
Total capital ratio (*)	20,24%	20,36%	20,02%	20,59%

(*) We have called the USD contingent convertible note (CoCo) the 25th of January 2018. Hence, the capital value of the CoCo has already been excluded from Tier-2. The impact of the CoCo call is largely offset by the successful issuance of a Tier 2 benchmark issuance in September 2017.

The tax reform in Belgium had a slight, positive one-off impact (of roughly +0.1%) on our common equity ratio (Danish Compromise Fully loaded) at the end of 2017 (thanks in part to higher revaluation reserves for available-for-sale assets (after tax) and lower risk-weighted assets resulting from the lower level of outstanding deferred tax assets). For more information see note 'Income tax expense' (note 3.12) in the Consolidated financial statements.

FICOD In millions of EUR	31-12-2017 Fully loaded	Phased-in	31-12-2016 Fully loaded	Phased-in
Common Equity	15 988	16 015	14 647	14 794
Total weighted risk volume	106 062	105 625	101 039	100 136
Solvency ratio				
Common equity ratio	15,07%	15,16%	14,50%	14,77%

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	31-12-2017	31-12-2016
Tier-1 capital (Danish compromise)	16 504	15 286
Total exposures	272 373	251 891
Total Assets	292 342	275 200
Deconsolidation KBC Insurance	-32 802	-32 678
Adjustment for derivatives	-3 908	-5 784
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 235	-2 197
Adjustment for securities financing transaction exposures	816	1 094
Off-balance sheet exposures	18 160	16 256
Leverage ratio	6,06%	6,07%

The leverage ratio remained largely stable compared to the end of 2016 due to higher total exposures (mainly caused by an increase in reverse repos and cash balances with central banks), compensated by a higher Tier-1 capital (Danish compromise).

Solvency banking and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD IV. The solvency of KBC Insurance is calculated on the basis of Solvency II rules as they became effective on 1 January 2016.

The tables below show the tier-1 and CAD ratios calculated under Basel III (CRD IV/CRR) for KBC Bank, as well as the solvency ratio of KBC Insurance under Solvency II.

KBC Bank consolidated - CRDIV/CRR		31-12-2017		31-12-2016
In millions of EUR	Fully loaded	Phased in	Fully loaded	Phased in
Total regulatory capital, after profit appropriation	15 756	15 767	16 229	16 347
Tier-1 capital	13 484	13 521	12 625	12 803
Of which common equity	12 077	12 091	11 219	11 348
Tier-2 capital	2 273	2 246	3 604	3 544
Total weighted risks	83 117	82 679	78 482	77 579
Credit risk	68 842	68 405	65 933	65 030
Market risk	3 361	3 361	2 417	2 417
Operational risk	10 913	10 913	10 132	10 132
Solvency ratios				
Common equity ratio	14,5%	14,6%	14,3%	14,6%
Tier-1 ratio	16,2%	16,4%	16,1%	16,5%
CAD ratio (*)	19,0%	19,1%	20,7%	21,1%

(*) We have called the USD contingent convertible note (CoCo) the 25th of January 2018. Hence, the capital value of the coco has already been excluded from Tier-2.

Solvency II, KBC Insurance consolidated In millions of EUR	31-12-2017	31-12-2016
Own Funds	3 865	3 637
Tier 1	3 365	3 137
IFRS Parent shareholders equity	3 051	2 936
Dividend payout	- 8	- 103
Deduction intangible assets and goodwill (after tax)	- 128	- 123
Valuation differences (after tax)	403	349
Volatility adjustment	43	120
Other	3	- 42
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 823	1 791
Market risk	1 602	1 589
Non-life	535	531
Life	630	608
Health	178	181
Counterparty	107	87
Diversification	- 905	- 881
Other	- 324	- 323
Solvency II ratio	212%	203%

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

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

Income statement, volumes and ratio’s per business unit

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

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Business Unit Belgium

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	569	589	611	625	651
Non-life insurance before reinsurance	100	153	131	143	122
Earned premiums Non-life	265	263	258	256	257
Technical charges Non-life	- 165	- 111	- 127	- 113	- 135
Life insurance before reinsurance	- 24	- 21	- 43	- 44	- 62
Earned premiums Life	292	195	199	241	298
Technical charges Life	- 316	- 216	- 242	- 285	- 360
Ceded reinsurance result	- 9	4	- 7	- 2	- 8
Dividend income	7	9	24	12	15
Net result from financial instruments at fair value through profit or loss	150	106	127	156	174
Net realised result from available-for-sale assets	34	34	32	23	6
Net fee and commission income	313	301	331	346	279
Fee and commission income	788	779	947	789	689
Fee and commission expense	- 475	- 479	- 616	- 443	- 409
Net other income	38	51	40	46	66
TOTAL INCOME	1 178	1 225	1 245	1 305	1 244
Operating expenses	- 566	- 520	- 544	- 822	- 556
Impairment	- 24	- 34	2	- 60	- 60
on loans and receivables	- 12	- 21	4	- 59	- 46
on available-for-sale assets	- 3	- 5	- 2	- 1	- 7
on goodwill	0	0	0	0	0
on other	- 9	- 8	- 1	0	- 7
Share in results of associated companies and joint ventures	- 9	0	- 4	0	0
RESULT BEFORE TAX	579	672	698	423	628
Income tax expense	- 243	- 217	- 215	- 121	- 189
RESULT AFTER TAX	335	455	484	301	439
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**336**	**455**	**483**	**301**	**439**
Banking	271	336	385	208	371
Insurance	65	119	98	93	68
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	94 495	93 512	93 494	92 307	91 804
Mortgage loans (end of period)	34 468	34 222	34 079	34 085	34 265
Customer deposits and debt certificates excl. repos (end of period)	132 881	128 895	129 825	127 005	125 074
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed	13 649	13 775	13 940	14 235	14 567
Unit-Linked	13 370	13 115	13 161	12 952	12 760
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	44 611	43 988	43 329	42 797	42 566
Required capital, insurance (end of period)	1 627	1 503	1 444	1 494	1 611
Allocated capital (end of period)	6 267	6 078	5 950	5 945	5 974
Return on allocated capital (ROAC)	22%	30%	32%	20%	29%
Cost/income ratio, banking	49%	46%	45%	67%	45%
Combined ratio, non-life insurance	104%	78%	86%	77%	92%
Net interest margin, banking	1,48%	1,51%	1,61%	1,67%	1,72%

Business Unit Czech Republic

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	234	218	220	216	215
Non-life insurance before reinsurance	21	25	22	18	24
Earned premiums Non-life	59	56	53	49	50
Technical charges Non-life	- 38	- 31	- 31	- 30	- 27
Life insurance before reinsurance	14	12	12	11	10
Earned premiums Life	96	68	47	48	94
Technical charges Life	- 83	- 56	- 35	- 38	- 84
Ceded reinsurance result	2	- 2	- 2	- 1	- 3
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	54	53	65	50	24
Net realised result from available-for-sale assets	0	- 1	6	11	0
Net fee and commission income	53	43	47	47	50
Fee and commission income	117	105	106	99	104
Fee and commission expense	- 63	- 62	- 58	- 52	- 54
Net other income	4	5	5	26	2
TOTAL INCOME	383	354	375	378	322
Operating expenses	- 177	- 153	- 151	- 165	- 152
Impairment	- 11	- 3	- 11	1	- 11
on loans and receivables	2	- 1	- 7	1	- 11
on available-for-sale assets	- 1	0	0	0	3
on goodwill	0	0	0	0	0
on other	- 12	- 2	- 3	0	- 3
Share in results of associated companies and joint ventures	5	6	6	4	4
RESULT BEFORE TAX	200	205	219	218	163
Income tax expense	- 33	- 34	- 37	- 37	- 33
RESULT AFTER TAX	167	170	183	181	131
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**167**	**170**	**183**	**181**	**131**
Banking	157	162	176	174	118
Insurance	10	9	7	7	13
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	22 303	22 155	21 520	20 253	19 552
Mortgage loans (end of period)	10 653	10 245	9 867	9 273	9 077
Customer deposits and debt certificates excl. repos (end of period)	30 246	29 529	28 925	27 770	26 183
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed	613	601	594	576	575
Unit-Linked	622	556	549	525	525
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 397	14 855	15 039	14 386	13 664
Required capital, insurance (end of period)	114	118	116	110	103
Allocated capital (end of period)	1 716	1 662	1 680	1 606	1 504
Return on allocated capital (ROAC)	40%	42%	47%	48%	36%
Cost/income ratio, banking	45%	42%	39%	43%	47%
Combined ratio, non-life insurance	96%	95%	97%	100%	93%
Net interest margin, banking	3,06%	2,85%	3,01%	3,06%	2,96%

Business Unit International Markets

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	228	226	194	189	198
Non-life insurance before reinsurance	27	8	23	25	24
Earned premiums Non-life	57	56	57	53	52
Technical charges Non-life	- 31	- 48	- 34	- 28	- 28
Life insurance before reinsurance	7	6	6	6	7
Earned premiums Life	23	18	21	23	21
Technical charges Life	- 16	- 12	- 15	- 17	- 14
Ceded reinsurance result	- 2	13	0	- 1	- 2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	23	25	19	28	24
Net realised result from available-for-sale assets	0	1	0	2	2
Net fee and commission income	65	65	54	48	50
Fee and commission income	101	100	86	79	80
Fee and commission expense	- 36	- 36	- 33	- 31	- 31
Net other income	- 60	- 57	1	4	2
TOTAL INCOME	288	287	297	301	305
Operating expenses	- 236	- 206	- 183	- 212	- 189
Impairment	39	11	92	47	3
on loans and receivables	45	12	92	48	8
on available-for-sale assets	0	- 1	0	0	0
on goodwill	0	0	0	0	0
on other	- 5	- 1	- 1	0	- 5
Share in results of associated companies and joint ventures	0	2	1	1	0
RESULT BEFORE TAX	91	94	207	137	119
Income tax expense	- 17	- 15	- 30	- 22	20
RESULT AFTER TAX	74	78	177	114	139
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**74**	**78**	**177**	**114**	**139**
Banking	68	71	171	106	135
Insurance	6	7	6	9	5
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	24 201	23 871	23 508	21 487	21 496
Mortgage loans (end of period)	15 503	14 850	14 661	14 058	13 993
Customer deposits and debt certificates excl. repos (end of period)	22 663	22 056	21 714	18 539	18 344
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed	212	212	215	220	220
Unit-Linked	429	422	419	411	408
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	19 790	19 923	19 991	17 667	17 163
Required capital, insurance (end of period)	104	97	94	93	95
Allocated capital (end of period)	2 162	2 169	2 173	1 931	1 854
Return on allocated capital (ROAC)	14%	16%	36%	23%	28%
Cost/income ratio, banking	83%	72%	61%	72%	61%
Combined ratio, non-life insurance	94%	98%	93%	85%	98%
Net interest margin, banking	2,84%	2,83%	2,72%	2,67%	2,70%

Hungary

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	63	63	60	58	59
Non-life insurance before reinsurance	8	9	9	9	9
Earned premiums Non-life	26	26	25	23	22
Technical charges Non-life	- 17	- 17	- 15	- 14	- 13
Life insurance before reinsurance	2	2	2	2	3
Earned premiums Life	4	4	4	4	4
Technical charges Life	- 2	- 2	- 2	- 2	- 1
Ceded reinsurance result	0	0	- 1	0	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	15	14	14	19	15
Net realised result from available-for-sale assets	0	0	0	1	0
Net fee and commission income	43	41	41	37	40
Fee and commission income	63	61	59	55	58
Fee and commission expense	- 20	- 20	- 18	- 18	- 18
Net other income	3	1	- 1	1	2
TOTAL INCOME	134	129	124	127	127
Operating expenses	- 86	- 81	- 77	- 101	- 82
Impairment	- 1	- 1	8	1	0
on loans and receivables	1	0	9	1	1
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
on other	- 2	0	0	0	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	47	47	55	26	45
Income tax expense	- 7	- 8	- 8	- 6	- 21
RESULT AFTER TAX	39	40	47	20	23
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**39**	**40**	**47**	**20**	**23**
Banking	37	37	46	17	21
Insurance	3	2	2	3	2
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	4 217	4 073	3 893	3 825	3 802
Mortgage loans (end of period)	1 556	1 532	1 494	1 469	1 451
Customer deposits and debt certificates excl. repos (end of period)	7 302	6 980	6 663	6 756	6 814
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed	55	55	55	55	55
Unit-Linked	298	291	290	285	284
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 799	5 671	5 379	5 551	5 199
Required capital, insurance (end of period)	37	36	34	34	33
Allocated capital (end of period)	640	626	593	611	566
Return on allocated capital (ROAC)	26%	25%	30%	12%	15%
Cost/income ratio, banking	64%	63%	62%	81%	65%
Combined ratio, non-life insurance	101%	99%	92%	84%	99%

Slovakia

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	53	52	53	53	56
Non-life insurance before reinsurance	7	6	6	6	5
Earned premiums Non-life	10	9	9	8	9
Technical charges Non-life	- 3	- 3	- 3	- 2	- 3
Life insurance before reinsurance	3	3	3	3	3
Earned premiums Life	13	10	13	13	12
Technical charges Life	- 10	- 7	- 10	- 9	- 9
Ceded reinsurance result	- 1	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	3	3	5	4	2
Net realised result from available-for-sale assets	0	0	0	0	1
Net fee and commission income	13	12	13	12	11
Fee and commission income	19	17	18	17	12
Fee and commission expense	- 5	- 5	- 5	- 4	- 1
Net other income	2	2	2	2	2
TOTAL INCOME	80	77	82	81	82
Operating expenses	- 56	- 48	- 49	- 50	- 55
Impairment	- 3	- 7	- 1	- 2	- 7
on loans and receivables	- 2	- 7	- 1	- 2	- 7
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
on other	- 1	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	21	22	32	28	20
Income tax expense	- 5	- 5	- 7	- 6	- 4
RESULT AFTER TAX	16	16	25	22	16
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**16**	**16**	**25**	**22**	**16**
Banking	14	14	22	19	14
Insurance	2	3	3	3	2
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	6 574	6 434	6 284	6 217	6 094
Mortgage loans (end of period)	2 943	2 861	2 770	2 695	2 608
Customer deposits and debt certificates excl. repos (end of period)	6 066	5 714	5 820	5 745	5 739
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed	114	113	113	113	116
Unit-Linked	124	126	125	123	122
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 908	4 826	4 910	4 716	4 635
Required capital, insurance (end of period)	26	23	23	23	23
Allocated capital (end of period)	537	525	534	513	499
Return on allocated capital (ROAC)	12%	13%	19%	17%	13%
Cost/income ratio, banking	70%	64%	60%	64%	66%
Combined ratio, non-life insurance	88%	85%	82%	73%	94%

Bulgaria

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	39	40	12	12	13
Non-life insurance before reinsurance	12	- 7	8	10	10
Earned premiums Non-life	22	21	24	21	22
Technical charges Non-life	- 10	- 28	- 16	- 12	- 12
Life insurance before reinsurance	2	1	1	1	1
Earned premiums Life	6	4	4	6	5
Technical charges Life	- 4	- 2	- 3	- 5	- 4
Ceded reinsurance result	- 1	14	0	- 1	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	5	7	1	1	1
Net realised result from available-for-sale assets	0	1	0	1	0
Net fee and commission income	10	11	- 1	- 1	- 1
Fee and commission income	18	19	5	5	5
Fee and commission expense	- 9	- 8	- 7	- 6	- 6
Net other income	0	- 4	1	0	- 1
TOTAL INCOME	65	64	22	22	21
Operating expenses	- 35	- 33	- 13	- 16	- 15
Impairment	- 9	- 7	- 3	- 1	- 2
on loans and receivables	- 7	- 7	- 3	- 1	1
on available-for-sale assets	0	- 1	0	0	0
on goodwill	0	0	0	0	0
on other	- 2	0	0	0	- 3
Share in results of associated companies and joint ventures	- 1	1	0	0	0
RESULT BEFORE TAX	21	25	6	5	4
Income tax expense	- 2	- 3	0	- 1	1
RESULT AFTER TAX	19	22	5	4	5
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**18**	**22**	**5**	**4**	**5**
Banking	17	21	4	3	4
Insurance	2	1	1	1	1
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	2 716	2 695	2 684	826	835
Mortgage loans (end of period)	1 100	660	657	236	234
Customer deposits and debt certificates excl. repos (end of period)	3 903	3 998	3 846	808	792
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed	43	44	47	52	49
Unit-Linked	7	5	4	3	2
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 933	2 886	3 037	842	839
Required capital, insurance (end of period)	41	38	37	37	39
Allocated capital (end of period)	347	338	353	125	125
Return on allocated capital (ROAC)	31%	49%	16%	13%	16%
Cost/income ratio, banking	52%	49%	56%	72%	66%
Combined ratio, non-life insurance	88%	102%	98%	96%	98%

Ireland

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	73	70	69	66	69
Non-life insurance before reinsurance	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0
Earned premiums Life	0	0	0	0	0
Technical charges Life	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	1	0	0	5	7
Net realised result from available-for-sale assets	0	0	0	0	0
Net fee and commission income	0	0	0	0	- 1
Fee and commission income	2	2	2	1	4
Fee and commission expense	- 2	- 2	- 2	- 1	- 4
Net other income	- 61	- 55	0	0	- 1
TOTAL INCOME	12	16	69	71	75
Operating expenses	- 59	- 43	- 42	- 44	- 36
Impairment	52	26	87	50	12
on loans and receivables	52	26	87	50	12
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
on other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	5	- 1	113	76	51
Income tax expense	- 3	0	- 14	- 10	44
RESULT AFTER TAX	3	- 1	99	67	95
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**3**	**- 1**	**99**	**67**	**95**
Banking	3	- 1	99	67	95
Insurance	0	0	0	0	0
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	10 694	10 669	10 648	10 618	10 765
Mortgage loans (end of period)	9 905	9 797	9 740	9 657	9 700
Customer deposits and debt certificates excl. repos (end of period)	5 392	5 364	5 385	5 229	4 999
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 144	6 525	6 652	6 544	6 477
Allocated capital (end of period)	639	679	692	681	664
Return on allocated capital (ROAC)	2%	-1%	57%	38%	52%
Cost/income ratio, banking	495%	271%	62%	63%	49%

Group Centre - Breakdown net result

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Operational costs of the Group activities	- 25	- 20	- 14	- 14	- 39
Capital and treasury management	- 5	5	17	- 18	4
Capital and treasury management APC	18	- 13	- 13	- 9	- 14
Results companies in rundown	- 22	19	11	83	14
Other	- 144	- 3	10	- 9	11
Total net result for the Group Centre	- 179	- 12	12	33	- 24

Group Centre

Consolidated income statement

(in millions of EUR)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
Net interest income	- 2	7	2	- 5	- 7
Non-life insurance before reinsurance	4	3	3	1	8
Earned premiums Non-life	2	2	2	2	3
Technical charges Non-life	2	0	1	- 1	5
Life insurance before reinsurance	3	0	2	- 2	5
Earned premiums Life	0	0	0	0	0
Technical charges Life	1	0	1	- 1	0
Ceded reinsurance result	- 1	1	0	1	- 2
Dividend income	1	1	6	2	3
Net result from financial instruments at fair value through profit or loss	8	- 2	37	- 44	2
Net realised result from available-for-sale assets	16	16	14	9	0
Net fee and commission income	- 1	- 1	- 1	- 3	- 2
Fee and commission income	- 366	- 379	- 393	- 346	- 318
Fee and commission expense	364	378	392	343	315
Net other income	3	5	2	1	30
TOTAL INCOME	29	30	63	- 38	32
Operating expenses	- 43	- 35	- 33	- 29	- 67
Impairment	- 6	- 6	- 11	4	- 5
on loans and receivables	- 4	- 6	- 11	4	- 5
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
on other	- 2	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	1
RESULT BEFORE TAX	- 20	- 11	18	- 63	- 39
Income tax expense	- 159	- 1	- 7	96	15
RESULT AFTER TAX	- 179	- 12	12	33	- 24
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	**- 179**	**- 12**	**12**	**33**	**- 24**
Banking	- 166	6	17	38	- 11
Insurance	- 3	2	1	2	11
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 478	3 636	4 058	4 407	4 186
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	- 23	- 9	10	3	- 18
Allocated capital (end of period)	339	369	432	461	428

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	2017	2016
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 575	2 427
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 52	- 52
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	418	418
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		418	418
Basic = (A-B) / (C) (in EUR)		6,03	5,68
Diluted = (A-B) / (D) (in EUR)		6,03	5,68

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	2017	2016
Net technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	813	839
/			
Net earned insurance premiums (B)	Note 3.7.1	1 465	1 387
+			
Operating expenses (C)	Note 3.7.1	482	459
/			
Net written insurance premiums (D)	Note 3.7.1	1 493	1 406
= (A/B)+(C/D)		87,8%	93,2%

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	2017	2016
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'			
Phased-in*		16,5%	16,2%
Fully loaded*		16,3%	15,8%

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

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	2017	2016
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	3 570	3 437
/			
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	6 587	6 238
=(A) / (B)		54,2%	55,1%

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 54,9% in FY2017 (versus 56,7% in FY 2016).

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	2017	2016
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 039	4 874
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	9 186	10 583
= (A) / (B)		44,0%	46,1%

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	2017	2016
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 87	126
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	151 681	146 257
= (A) / (B)		-0,06%	0,09%

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	2017	2016
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	9 186	10 583
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	154 160	147 526
= (A) / (B)		6,0%	7,2%

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

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	2017	2016
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	16 504	15 286
/			
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Based on the Capital Requirements Regulation (CRR)	272 373	251 891
= (A) / (B)		6,1%	6,1%

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	2017*	2016
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	79 850	65 400
/			
Total net cash outflows over the next 30 calendar days (B)		57 600	47 100
= (A) / (B)		139%	139%

* end of 2017 based on moving average

Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From year-end 2017 onwards, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure. As such, the LCR level at FY17 is calculated based on 12 months average, whereas the LCR level at FY16 is based on point-in-time calculation. For the purpose of q-o-q comparison, the 12 months average LCR level at 9M17 was at 138%.

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	2017	2016
Loans and advances to customers (related to the group's banking activities) (A)	Note 4.1, component of 'Loans and advances to customers'	139 044	131 415
-			
Reverse repos with customers (B)	Note 4.1	- 504	- 376
+			
Debt instruments issued by corporates and by credit institutions and investment firms (related to the group's banking activities) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 243	7 114
+			
Loans and advances to credit institutions and investment firms (related to the group's banking activities, excluding dealing room activities) (D)	Note 4.1, component of 'Loans and advances to credit institutions and investment firms '	881	952
+			
Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees given'	8 235	8 279
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	4 058	5 094
+			
Other (including accrued interest) (G)	Component of Note 4.1	- 3 797	- 4 952
= (A)-(B)+(C)+(D)+(E)+(F)+(G)		154 160	147 526

Minimum requirement for own funds and eligible liabilities (MREL)

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

Calculation (in millions of EUR or %)	Reference	2017	2016
Own funds* and eligible liabilities (issued from KBC Group NV) (A) => based on the strategy of KBC to issue MREL eligible instruments from the Holding company	Based on BRRD	22 207	18 467
/			
Risk weighted assets (consolidated, Danish compromise method) (B)	'Consolidated balance sheet'	92 410	87 782
= (A) / (B)		24,0%	21,0%

* after deconsolidation of KBC Insurance

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	2017	2016
Net interest income of the banking activities (A) (annualised)	'Consolidated income statement': component of 'Net interest income'	3 513	3 602
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	187 216	184 117
= (A) (annualised x360/number of calendar days) / (B)		1,85%	1,92%

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	2017	2016
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	157 700	144 150
/			
Required amount of stable funding (B)		117 300	114 950
= (A) / (B)		134,5%	125,4%

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	2017	2016
Parent shareholders' equity (A)	'Consolidated balance sheet'	17 403	15 957
/			
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	419	418
= (A) / (B) (in EUR)		41,6	38,1

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

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

Calculation (in millions of EUR or %)	Reference	2017	2016
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	1 575	1 433
/			
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)		6 007	6 092
= (A) annualised / (B)		26,2%	23,5%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	702	596
/			
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)		1 620	1 455
= (A) annualised / (B)		43,0%	40,9%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	444	428
/			
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)		2 054	1 959
= (A) annualised / (B)		21,6%	21,9%

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	2017	2016
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	2 575	2 427
-			
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	'Consolidated statement of changes in equity'	- 52	- 52
/			
Average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets (C)	'Consolidated statement of changes in equity'	14.926	13.415
= (A-B) (annualised) / (C)		16,9%	17,7%

Solvency ratio (insurance)

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

Calculation	Reference	2017	2016
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section		212%	203%

Total assets under management

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

Calculation (in billions of EUR or quantity)	Reference	2017	2016
Belgium Business Unit (A)	Company presentation on www.kbc.com	204,6	198,9
+			
Czech Republic Business Unit (B)		9,6	8,5
+			
International Markets Business Unit (C)		5,0	5,7
A)+(B)+(C)		219,2	213,1

Total capital ratio

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

Calculation	2017	2016
Detailed calculation in the table 'Danish Compromise' under 'Solvency KBC Group' section		
Phased-in*	20,4%	20,6%
Fully loaded*	20,2%	20,0%

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