Press Release

Outside trading hours - Regulated information*

Brussels, 17 May 2018, (07.00 a.m. CEST)

KBC Group: First-quarter result of 556 million euros

KBC Group - overview (consolidated, IFRS)	1Q2018 (IFRS 9)	4Q2017 (IAS 39)	1Q2017 (IAS 39)
Net result (in millions of EUR)	556	399	630
Basic earnings per share (in EUR)	1.30	0.92	1.47
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	243	336	301
Czech Republic	171	167	181
International Markets	137	74	114
Group Centre	5	-179	33
Parent shareholders' equity per share (in EUR, end of period)	40.9	41.6	39.4

We recorded a net profit of 556 million euros in the first quarter of 2018. A very good result indeed, despite the fact that we booked the bulk of the bank taxes for the full year in the first quarter (371 million euros in 1Q2018). Driven by the commercial performance of our core activities, our total income was up quarter-on-quarter, while costs – excluding bank taxes – were down on the seasonally high last quarter of the year. Both our life and non-life businesses grew significantly year-on-year. Finally, we were able to release some loan loss provisions once again, due mainly to our Irish mortgage book.

In the quarter under review, we completed the acquisition of the remaining 40% stake in the life insurance joint venture between our subsidiary UBB and MetLife in Bulgaria. This reaffirms our position as a strong, local market player that is able to offer a full range of bank-insurance products to our Bulgarian clients in an omni-channel environment. It will undoubtedly help in making UBB and DZI a genuine reference bank-insurance group in Bulgaria, which will ultimately benefit its clients, employees and all other stakeholders.

With the aim of further improving client experience, we have continued developing innovative client-centric solutions that make our clients' lives easier. To name just one example, we were the first bank in Belgium to add multi-banking possibilities to our KBC Mobile app following the opportunities created by PSD2. A few weeks after their introduction, we are delighted to say that we received an enthusiastic response from our clients.

We also strive to make a positive contribution to society through our financing activities. For example, it is our ambition to increase our renewable energy portfolio to over 50% of our total energy sector portfolio by 2030 (currently this stands at 41%). Moreover, at the beginning of this year, we decided to update various KBC sustainability policies, which will be implemented in June. Finally, as part of our new KBC credit energy policy, we announced that we would exit the coal sector and reduce the current exposure to coal-based electricity production to zero by 2023 at the latest.

Last but not least, the European economic environment has remained attractive, with solid growth and low inflation. However, now that sentiment indicators have fallen from their recent highs, the period of accelerating growth has probably come to an end. The risk of further economic de-globalisation, with escalating trade conflicts and geopolitical tensions are the main factors that could impede European economic growth. We are convinced, however, that we have a more than solid starting position in that economic arena, thanks to the sustained efforts we have made in recent years to put the client at the centre of everything we do, coupled with our excellent solvency and liquidity position.

In closing, I'd like to take this opportunity again to thank all the stakeholders who have put their trust in us and assure them that we will do everything possible to move even closer to achieving our ultimate goal of being the reference bank-insurer in all our core markets.

Johan Thijs
Chief Executive Officer

Important. We have started applying IFRS 9 as of this quarter. In simplified terms, this means that the classification of financial assets and liabilities, as well as the impairment methodology, have changed significantly. As a result, some of the profit and loss and balance sheet figures are not fully comparable to the 2017 reference figures (which are still based on IAS 39, as KBC is making use of transition relief for comparative data). In order to enhance transparency, we have also, in line with IFRS 9, moved interest accruals for FX derivatives in the banking book from 'fair value income' to 'net interest income'. We also shifted network income (income received from margins earned on FX transactions carried out by the network for our clients) from 'trading and fair value income' to 'net fee and commission'. A short overview is provided in the annex, and a more comprehensive overview is given in Note 1.1 of the consolidated financial statements and in the company presentation (available at www.kbc.com). Furthermore, related to IFRS 9, we changed the definition of our loan portfolio from outstanding to gross carrying amount (i.e. incl. reserved and accrued interests) and slightly amended the scope. In order to enhance comparability, we have added certain comparisons with pro forma (recalculated) figures for 2017 (unaudited) in the analysis below. When this is done, it is indicated by the words 'on a comparable basis'.

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

Financial highlights in the first quarter of 2018

- Good performance turned in by the commercial bank-insurance franchises in our core markets and core activities.
- Lending volumes went up 1% quarter-on-quarter and 5% year-on-year, with year-on-year increases in all business units. Deposits – excluding debt certificates – rose by 2% quarter-on-quarter and by 7% year-on-year, again with year-on-year increases in all business units.
- On a comparable basis, net interest income remained virtually unchanged (-1%) quarter-on-quarter, and improved by 4% year-on-year, thanks in part to lower funding costs, repo rate increases in the Czech Republic, loan volume growth, and the positive effect of the consolidation of UBB/Interlease.
- The technical income from our non-life insurance activities increased by 7% quarter-on-quarter, but was down 16% year-on-year (due to several factors, including the January storms in Belgium). The combined ratio for the first quarter of the year amounted to 90%, compared to 88% for full year 2017. Sales of our life insurance products fell by 15% on the seasonally strong previous quarter, but were up 5% on the first quarter of 2017.
- Our net fee and commission income remained strong. It was down slightly (-1%) on its quarter-earlier level, and down 3% on its year-earlier level, both on a comparable basis.
- On a comparable basis, all other income items combined were up 60% quarter-on-quarter, as the last quarter of 2017 had included an additional provision of 61.5 million euros related to the industry wide review of tracker rate mortgages originated in Ireland before 2009. Year-on-year, all other income items combined fell by 20%, due primarily to the lower level of trading and fair value income.
- The comparison of costs is distorted by the fact that the bulk of special bank taxes for full year 2018 are booked in the first quarter. Disregarding bank taxes, costs were down 6% quarter-on-quarter. Year-on-year, they increased by 6%, though that was caused in part by the inclusion of UBB/Interlease. When bank taxes are spread evenly throughout the year, the cost/income ratio amounted to 55% in the quarter under review, in line with the figure recorded for full year 2017.
- The quarter benefited from a 63-million-euro release of loan loss provisions, mainly on account of Ireland. Consequently, our annualised cost of credit amounted to a very favourable -0.15% (a negative figure indicates a positive impact on the results), compared to -0.06% registered for full year 2017.
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.9% (fully loaded, Danish compromise).

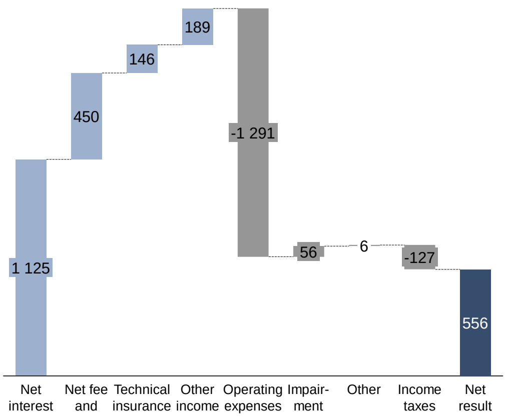
The cornerstones of our strategy

Our strategy rests on four principles:

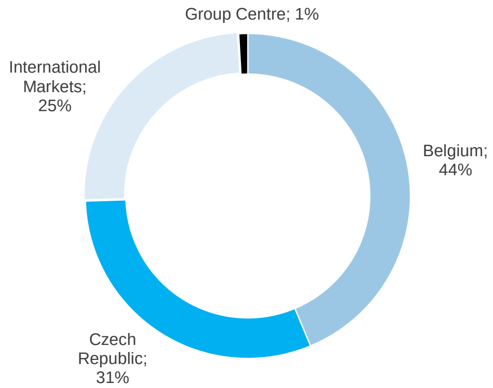
- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

Breakdown of the 1Q2018 result

(in millions of EUR)



Contribution of the business units to the group result (1Q2018)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q2018 (IFRS 9)	4Q2017 (IAS 39)	3Q2017 (IAS 39)	2Q2017 (IAS 39)	1Q2017 (IAS 39)
Net interest income	1 125	1 029	1 039	1 028	1 025
Non-life insurance (before reinsurance)	162	152	188	179	187
Earned premiums	*378*	*384*	*378*	*369*	*360*
Technical charges	*-216*	*-232*	*-190*	*-190*	*-173*
Life insurance (before reinsurance)	-7	-3	-3	-24	-28
Earned premiums	*336*	*410*	*282*	*267*	*312*
Technical charges	*-343*	*-414*	*-284*	*-291*	*-341*
Ceded reinsurance result	-9	-10	16	-10	-4
Dividend income	21	8	11	30	15
Net result from financial instruments at fair value through P&L[1]	96	235	182	249	191
Net realised result from available-for-sale assets	-	51	51	52	45
Net realised result from debt instruments at fair value through other comprehensive income	1	-	-	-	-
Net fee and commission income	450	430	408	430	439
Other net income	71	-14	4	47	77
Total income	1 912	1 878	1 896	1 980	1 946
Operating expenses	-1 291	-1 021	-914	-910	-1 229
Impairment	56	-2	-31	71	-8
Of which: on loans and receivables	-	30	-15	78	-6
Of which: on financial assets at amortised cost	63	-	-	-	-
Share in results of associated companies and joint ventures	6	-5	8	3	5
Result before tax	683	850	959	1 144	715
Income tax expense	-127	-451	-268	-288	-85
Result after tax	556	398	691	855	630
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**556**	**399**	**691**	**855**	**630**
Basic earnings per share (EUR)	1.30	0.92	1.62	2.01	1.47
Diluted earnings per share (EUR)	1.30	0.92	1.62	2.01	1.47

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-03-2018 (IFRS 9)	31-12-2017 (IAS 39)	30-09-2017 (IAS 39)	30-06-2017 (IAS 39)	31-03-2017 (IAS 39)
Total assets	304 022	292 342	296 885	296 479	287 293
Loans and advances to customers, excluding reverse repos	142 512	140 999	139 538	138 522	134 047
Securities (equity and debt instruments)	66 050	67 743	69 273	70 898	72 329
Deposits from customers and debt certificates, excluding repos	188 034	193 708	188 962	188 708	181 107
Technical provisions, before reinsurance	18 754	18 641	18 696	18 905	19 234
Liabilities under investment contracts, insurance	13 338	13 552	13 294	13 339	13 128
Parent shareholders' equity	17 119	17 403	17 003	16 665	16 506

Selected ratios KBC group (consolidated)	1Q2018	FY2017
Return on equity	14%	17%
Cost/income ratio, banking	70%	54%
(when excluding certain non-operating items and evenly spreading the banking tax)	(55%)	(55%)
Combined ratio, non-life insurance	90%	88%
Common equity ratio Basel III Danish Compromise (fully loaded)	15.9%	16.3%
Common equity ratio FICOD (fully loaded)	14.9%	15.1%
Leverage ratio Basel III (fully loaded)	5.7%	6.1%
Credit cost ratio[2]	-0.15%	-0.06%
Impaired loans ratio	5.9%	6.0%
for loans more than 90 days overdue	3.5%	3.4%
Net stable funding ratio (NSFR)	137%	134%
Liquidity coverage ratio (LCR)	139%	139%

1 Also referred to as 'trading and fair value income'
2 A negative figure indicates a net impairment release (with a positive impact on the results).

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

Analysis of the quarter (1Q2018)

Total income

1 912 million euros

Total income was slightly up on the figure for the previous quarter. On a comparable basis, improved technical insurance income, net other income and dividend income more than offset the decrease in trading and fair value income and the slight decline in net interest income and net fee and commission income.

Net interest income amounted to 1 125 million euros in the quarter under review. On a comparable basis, it remained virtually unchanged (-1%) quarter-on-quarter and was up 4% year-on-year. In general, the pressure on commercial loan margins in most core countries, the negative effect of the low reinvestment yield, the lower number of days in the first quarter and a lower netted positive impact of ALM forex swaps (quarter-on-quarter) were offset by loan volume growth, lower funding costs thanks in part to the contingent capital note (CoCo) being called in January, higher repo rates in the Czech Republic, exchange rate movements (CZK) and the consolidation of UBB/Interlease (year-on-year). As already mentioned, interest income continued to be supported by loan volume growth: the total volume of customer lending rose by 1% quarter-on-quarter and by 5% year-on-year, with increases in all business units for the year-on-year figures. Customer deposits including debt certificates fell by 3% quarter-on-quarter, but increased by 3% year-on-year. Excluding debt certificates (down due to lower certificates of deposits, repayment of the CoCo, etc.), deposits increased by 2% quarter-on-quarter and by 7% year-on-year, with increases in all business units. The net interest margin came to 2.01% for the quarter under review, up 4 and 8 basis points respectively on the previous and year-earlier quarter's figure, on a comparable basis.

Technical income from our insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) stood at 146 million euros in the quarter under review. Non-life insurance activities contributed 153 million euros to technical insurance income, 7% more than in the previous quarter but 16% less year-on-year. While the quarter-on-quarter increase was accounted for mainly by a 7% decrease in technical charges (the negative impact of the January storms in Belgium was more than offset by a drop in other claims), the year-on-year decrease was caused by a combination of a lower ceded reinsurance result and higher technical charges (+25% owing to the January storms, among other things), which outweighed the 5% increase in earned premiums. Consequently, the combined ratio for the first quarter of 2018 came to 90%, compared to 88% for full year 2017 (which had benefited from some reserve releases).
Technical insurance income from our life insurance activities stood at -7 million euros, compared to -4 million euros in the previous quarter and -28 million in the year-earlier quarter. Sales of life insurance products (498 million euros) were 15% lower than in the seasonally strong previous quarter (decline in both guaranteed interest and unit-linked products), but were up 5% on the year-earlier quarter (with stronger sales of both guaranteed interest and unit-linked products). Overall, the share of guaranteed interest products in total life insurance sales stood at 56% in the first quarter of 2018, with unit-linked products accounting for the remaining 44%.

At 450 million euros, net fee and commission income remained robust. On a comparable basis, there was only a minor decrease of 1% on the previous quarter's level, caused mainly by slightly lower management fees related to our asset management activities (due, inter alia, to a decrease in AUM, see below) and lower payment, securities and credit-related fees, offset to a certain extent by the lower level of commissions paid on insurance sales and higher asset management-related entry fees. Year-on-year, net fee and commission income fell 3% on a comparable basis (lower asset management entry fees and a decline in securities and credit-related fees, partly offset by the inclusion of UBB/Interlease and higher payment-related fees). At the end of March 2018, our total assets under management stood at 213 billion euros, more or less stable year-on-year and down 1.5% quarter-on-quarter due to the negative price performance.

All other remaining income items amounted to an aggregate 189 million euros, compared to 118 million euros in the previous quarter and 236 million euros in the year-earlier quarter (on a comparable basis). The figure for the first quarter of 2018 included 21 million euros in dividend income and 1 million euros net realised result from debt instruments at fair value. It also included 71 million euros in other net income, 85 million euros more than in the previous quarter, which had been 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. Other net income in the first quarter of 2018 moreover benefited from positive one-offs related to the settlement of an old legal file and the sale of a building. The other remaining income items also included a 96-million-euro net result from financial instruments at fair value (trading and fair value income). On a comparable basis, this was 19% lower than the previous quarter and 26% lower than a year earlier, due in both cases to lower dealing room results and the aggregate negative impact of various (market, credit and funding) value adjustments.

Operating expenses

1 291 million euros

Expenses were distorted by the traditional upfront booking of the bulk of bank taxes for the full year. Excluding bank taxes, expenses were down 6% on the seasonally high level of the previous quarter

Operating expenses in the first quarter of 2018 stood at 1 291 million euros. The quarter-on-quarter comparison is distorted by the traditional upfront recognition in the first quarter of most of the banking taxes for the full year (371 million euros in the first quarter of 2018, 41 million euros in the fourth quarter of 2017, 361 million euros in the first quarter of 2017). Excluding bank taxes, costs fell 6% quarter-on-quarter – despite a negative one-off item of 12 million euros in the quarter under review – as the previous quarter had included the traditional seasonal uptick in expenses, specifically in marketing expenses (year-end campaigns) and in professional fees. Costs excluding bank taxes went up 6% year-on-year, largely due to the inclusion of UBB/Interlease, with the rest of the increase being accounted for by *inter alia* higher ICT costs, slightly higher staff expenses (mainly in the Czech Republic and Ireland), higher depreciation expenses, exchange rate movements (CZK) and a negative one-off item.

As a result, the cost/income ratio of our banking activities stood at 70% in the quarter under review. When the bank taxes are spread evenly throughout the year and certain non-operational items are excluded, the cost/income ratio came to 55%, fully in line with the figure recorded for full year 2017.

Loan loss impairments

63 million euros net release

Another net release of loan loss impairments, thanks primarily to Ireland. Very favourable credit cost ratio of -0.15%.

In the first quarter of 2018, we recorded a 63-million-euro net release of loan loss impairments. This compares with a net release of 30 million euros in the previous quarter and a net addition of 6 million euros in the first quarter of 2017. The net release of loan loss impairments in the quarter under review was mainly attributable to a 43-million-euro release in Ireland, which came about mainly because of the increase in house prices, and – to a lesser extent – improved portfolio performance. Moreover, in all other core countries, there was either a small loan loss impairment release (Bulgaria, Hungary, Slovakia, Group Centre) or a generally very low level of loan loss impairment charges (Belgium, Czech Republic). Consequently, the credit cost ratio for the entire group amounted to a very favourable -0.15% for the quarter under review (a negative figure indicates a net release and, hence, has a positive impact on the results), compared to -0.06% in full year 2017.
The impaired loans ratio improved further. At the end of March 2018, some 5.9% of our loan book was classified as impaired, compared with 6.0% at year-end 2017. Some 3.5% of the loan book concerned impaired credits that are more than 90 days past due.

Income taxes

127 million euros

Income taxes were down as the previous quarter was adversely impacted by the upfront effect of the new corporate tax system in Belgium.

Income taxes amounted to 127 million euros, compared to 451 million euros in the fourth quarter of 2017 and 85 million euros in the first quarter of 2017. The significant quarter-on-quarter drop was caused primarily by the fact that the fourth quarter of 2017 had been impacted by the upfront booking of -211 million euros related to the reform of the Belgian corporation tax system as of 2018 (which impacted the existing amount of deferred tax assets, among other things). The year-on-year increase was partly related to the fact that the first quarter of 2017 had benefited from a one-off, 66-million-euro deferred tax asset related to the liquidation of a group company.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
243 million euros	171 million euros	137 million euros	5 million euros

Belgium: at first sight, the net result was down 28% quarter-on-quarter, but this was distorted by the upfront booking in the first quarter of 2018 of most of the bank tax for the full year and the upfront effect of the change in the corporate tax system in the last quarter of 2017. Excluding both items, the net result was up 3% quarter-on-quarter, and included (on a comparable basis) lower net interest income, virtually unchanged net fee and commission income, higher technical insurance income (despite the impact of the January storms), lower trading and fair value income, higher dividend income and higher net other income (thanks to a one-off item related to the settlement of an old legal file). Costs – excluding bank taxes – fell (partly a seasonal effect) and the loan loss impairment charges remained at a very low level.

Czech Republic: the net result was up 2% on its level for the previous quarter. Excluding bank taxes, the net result was up by as much as 16%, thanks mainly, on a comparable basis, to higher net interest income, lower but still good trading and fair value income and increased net fee and commission income. Loan loss impairments remained extremely low and costs – excluding bank taxes – fell (partly a seasonal effect).

International Markets: the 137-million-euro net result breaks down as follows: 23 million euros for Slovakia, 34 million euros for Hungary, 21 million euros for Bulgaria and 57 million euros for Ireland. For the business unit as a whole, the net result went up 85% quarter-on-quarter. This improvement relates primarily to Ireland, where the previous quarter's result had been negatively impacted by additional provisioning of 61.5 million euros for an industry wide review of tracker rate mortgages originated before 2009. As was the case in the previous quarter, the result for Ireland also continued to benefit from significant loan loss impairment releases (43 million euros, compared to 52 million euros in the previous quarter).

Group Centre: the net result was up 184 million euros on the level recorded in the previous quarter, which had been negatively impacted by the upfront effect of the reform of the corporate tax system in Belgium. Moreover, the quarter under review included, on a comparable basis, lower total income, a decrease in expenses and a net release of loan loss impairments (17 million euros, compared to a net addition of 4 million euros in the previous quarter).

Selected ratios by business unit	Belgium 1Q2018	Belgium FY2017	Czech Republic 1Q2018	Czech Republic FY2017	International Markets 1Q2018	International Markets FY2017
Cost/income ratio, banking excluding certain non-operating items and spreading the bank tax evenly throughout the year	56%	53%	42%	43%	64%	72%
Combined ratio, non-life insurance	93%	86%	93%	97%	86%	93%
Credit cost ratio[1]	0.05%	0.09%	0.01%	0.02%	-0.86%	-0.74%
Impaired loans ratio[2]	2.6%	2.8%	2.4%	2.4%	20.4%	19.7%

1 A negative figure indicates a net impairment release (with a positive impact on the results). See 'Details of ratios and terms' in the quarterly report.
2 Since 2018 based on a slightly changed definition of the loan portfolio. See 'Credit risk' in the quarterly report.

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

Equity, solvency, liquidity	Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
	18.5 billion euros	15.9%	139%	137%

At the end of March 2018, total equity stood at 18.5 billion euros (17.1 billion euros in parent shareholders' equity and 1.4 billion euros in additional tier-1 instruments), up 0.5 billion euros on its level at the beginning of the year on a like-for-like basis (i.e. after adjustment for the impact of the first-time application of IFRS 9, which led to a drop of 0.7 billion euros). The 'like-for-like' increase of 0.5 billion euros during the first quarter of the year resulted from the inclusion of the profit for the first quarter (+0.6 billion euros), changes in the various revaluation reserves (an aggregate -0.1 billion euros) and a number of minor items. We have provided details of the changes in the 'Consolidated financial statements' section of the quarterly report (under 'Consolidated statement of changes in equity').

At 31 March 2018, our fully loaded common equity ratio (Basel III, under the Danish compromise) stood at a strong 15.9%, compared to 16.3% three months earlier. The difference is almost entirely accounted for by the effects of the first-time application of IFRS 9 (-41 basis points). Our leverage ratio (Basel III, fully loaded) came to 5.7%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 218% at 31 March 2018. Our liquidity position remained excellent too, as reflected in an LCR ratio of 139% and an NSFR ratio of 137% at the end of March 2018.

Risk statement, economic views and guidance

Risk statement: as we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, market risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. 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, 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. Technology used in the financial industry 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.

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

Our view on interest rates and foreign exchange rates: we expect the ECB to continue its QE programme until at least September 2018, after which the programme may be gradually phased out ('tapering'). We forecast the ECB to wait until 2019 to raise its policy rate. In the meantime, we expect the Fed to carry out two more rate hikes in 2018 (i.e. three for the whole year), 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 policy of the ECB, German 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 given the Czech growth and inflation environment. We forecast one more rate hike for this year in the Czech Republic, which will bring the repo rate to 1% by the end of 2018. As a result, we expect the Czech koruna to appreciate moderately to 25 CZK per EUR by the end of 2018.

Our view on economic growth: the European economic environment remains attractive, with solid growth and low inflation. The positive labour developments and domestic demand continue to be growth drivers. But now that sentiment indicators have fallen from their recent highs, the period of accelerating growth has probably come to an end. The risk of further economic de-globalisation, with escalating trade conflicts and geopolitical tensions could create additional uncertainty and hence further affect economic sentiment and growth.

Guidance for the remainder of 2018

- Solid returns for all business units
- For Ireland, our guidance for loan impairments for full year 2018 is for a net release of 100 to 150 million euros.
- For Belgium, we expect a recurring positive impact on results from the reform of the Belgian income tax system. The negative upfront effect in the last quarter of 2017 should be fully recuperated in roughly three years' time.

Annex

Pro forma recalculation of reference figures for the main income lines, KBC Group (in millions of EUR, unaudited figures)	1Q2018	4Q2017	3Q2017	2Q2017	1Q2017
Net interest income	1 125	1 029	1 039	1 028	1 025
+ interest accrual FX derivatives		+108	+75	+66	+56
= pro forma reference figure (used in our results analysis)		=1 137	=1 114	=1 094	=1 081
Net result from financial instruments at fair value through P&L (FIFV)	96	235	182	249	191
- interest accrual FX derivatives		-108	-75	-66	-56
- network income		-26	-25	-24	-24
+ result on equity instruments ('overlay approach')		+17	+12	+21	+19
= pro forma reference figure (used in our results analysis)		=118	=94	=180	=130
Net fee and commission income	450	430	408	430	439
+ network income		+26	+25	+24	+24
= pro forma reference figure (used in our results analysis)		=456	=433	=454	=463

Interest accrual on FX derivatives: moved from FIFV to 'net interest income' (in line with the transition to IFRS 9).
Network income (income received from margins earned on FX transactions carried out by the network for clients): moved from FIFV to 'net fee and commission income'.
Result on equity instruments: in line with the IFRS 9 'overlay approach', realised gains and losses and impairment on what used to be available-for-sale shares in the insurance portfolio have been moved from 'net result from available-for-sales assets' and 'impairment on available-for-sale assets' to FIFV. Please note that, under IFRS 9, realised and unrealised gains/losses on what used to be available-for-sale shares in the banking portfolio are recorded in other comprehensive income (i.e. eliminated from the net result).

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