KBC Group Quarterly Report 4Q2018

KBC Group

Report for 4Q2018

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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Fourth-quarter result of 621 million euros

KBC Group - overview (consolidated, IFRS)	4Q2018 (IFRS 9)	3Q2018 (IFRS 9)	4Q2017 (IAS 39)	FY2018 (IFRS 9)	FY2017 (IAS 39)
Net result (in millions of EUR)	621	701	399	2 570	2 575
Basic earnings per share (in EUR)	1.44	1.63	0.92	5.98	6.03
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	361	409	336	1 450	1 575
Czech Republic	170	168	167	654	702
International Markets	93	141	74	533	444
Group Centre	-3	-17	-179	-67	-146
Parent shareholders' equity per share (in EUR, end of period)	41.4	40.6	41.6	41.4	41.6

We generated a net profit of 621 million euros in the fourth quarter of 2018. This excellent result was due in part to higher levels of net interest income, an outstanding combined ratio in our non-life insurance activities and strict cost management. Adding this figure for the fourth quarter to the 1 948 million euros recorded in the first nine months of the year brings our result for full-year 2018 to a solid 2 570 million euros. This is in line with the 2 575 million euros recorded for full-year 2017. Lending increased by 5% year-on-year, as did deposits (excluding debt certificates and repos).

Our solvency position remained strong. The common equity ratio amounted to 16% at the end of full-year 2018 after dividend distribution. The total (gross) dividend for 2018 of 3.5 euros per share (which will be proposed to the General Meeting of Shareholders in May) will result in a pay-out ratio of 59% for financial year 2018.

As announced earlier, KBC Bank Ireland closed the sale of part of its legacy loan portfolio in the quarter under review, which significantly reduced its impaired loans ratio by 10 percentage points to 23%, and also decreased the group's impaired loans ratio by one percentage point, leaving it at 4.3%.

On the sustainability front, we strive to enhance the positive impact that our day-to-day operations have on society. We actively monitor our own ecological impact and offer a wide range of socially responsible investment opportunities. This resulted in an improved score as provided by third party sustainability analysts (such as Sustainalytics). We have a long tradition of communicating openly and transparently with all our stakeholders about sustainability. For example, as a member of the United Nations Environment Programme Finance Initiative (UNEP FI) we are set to become the first financial institution in Belgium to endorse the new guidelines on responsible banking, as announced in December.

European economic conditions are generally solid, although the growth peak is behind us. Decreasing unemployment rates and growing labour shortages in some European economies combined with gradually rising wage inflation, will continue to support private consumption. Moreover, also investments will remain an important driver of growth. The main elements that could substantially impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro area countries.

Ultimately, our goal is to finance and service the dreams of our clients, shareholders and other stakeholders, something which all our employees are committed to working towards. We are genuinely grateful for the trust our clients place in us and that encourages us even more to become the reference in bank-insurance in all our core countries.

Johan Thijs
Chief Executive Officer

Important. We have started applying IFRS 9 with effect from 2018. 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 income statement and balance sheet figures are not fully comparable with the 2017 reference figures (which are still based on IAS 39, as KBC is making use of transition relief for comparative data). To enhance transparency – and in line with IFRS 9 requirements – we have also moved accrued interest from FX derivatives in the banking book from 'Trading and fair value income' to 'Net interest income'. We have also moved network income (i.e. revenue from margins earned on FX transactions carried out by the network for our customers) from 'Trading and fair value income' to 'Net fee and commission income'. A concise overview is provided in the annex. Furthermore – on account of IFRS 9 and with effect from 2018 – we have changed the definition of our loan portfolio, switching from 'outstanding amount' to 'gross carrying amount' (i.e. including reserved and accrued interest), and slightly amended the scope. In order to enhance comparability, we have added certain comparisons with *pro forma* (restated and unaudited) figures for 2017 in the analysis below. When this is done, it is indicated by the words '**on a comparable basis**'.

Financial highlights in the fourth quarter of 2018

- Excellent performance delivered by the commercial bank-insurance franchises in our core markets and core activities.
- Lending volumes were up 1% quarter-on-quarter and 5% year-on-year (disregarding the sale of part of the Irish loan book). Deposits (excluding debt certificates and repos) were flat quarter-on-quarter and up 5% year-on-year, with year-on-year increases in all business units.
- Net interest income was up 3% quarter-on-quarter and 2% year-on-year (on a comparable basis). It benefited from a number of factors, including good loan volume growth, higher interest rates in the Czech Republic and lower funding costs, but continued to suffer from pressure on loan margins and low reinvestment yields in our euro area core countries.
- Technical income from our non-life insurance activities was up 31% compared to the year-earlier quarter, as higher earned premiums and lower technical charges were only slightly offset by the lower result from ceded reinsurance. The combined ratio for full-year 2018 amounted to an excellent 88%, fully in line with the figure recorded for full-year 2017. Sales of our life insurance products were up 33% on their level in the previous quarter but down 13% on their level in the fourth quarter of 2017.
- On a comparable basis, our net fee and commission income was down 4% quarter-on-quarter and 11% year-on-year due to a major downturn of the financial markets. In both cases, this came about mostly because of lower asset management-related fees, resulting from lower AuM volumes and a more defensive asset allocation.
- All other income items combined were down 37% quarter-on-quarter, owing to lower trading and fair value income, notwithstanding a higher level of other net income (the fourth quarter was positively impacted by the settlement of legacy legal cases) and slightly higher dividend income. On a comparable basis, all other income items combined were down 21% year-on-year, due primarily to lower trading and fair value income, which was partly offset by higher other net income as the reference quarter had been impacted by a provision of 61.5 million euros set aside for the industry-wide review of tracker rate mortgage products originated in Ireland before 2009.
- Costs excluding bank taxes were virtually stable quarter-on-quarter, because of reduced staff expenses and lower one-off costs, offset by seasonally higher ICT expenses, higher professional fees and higher depreciation and amortisation costs. There was even a decrease of 3% year-on-year, due mainly to lower marketing expenses. When certain non-operating items are excluded, the cost/income ratio amounted to 57% for full-year 2018, compared to the 55% recorded for full-year 2017.
- The quarter included a 30-million-euro increase in loan loss impairment, mainly in Belgium due to a number of corporate loans. Our cost of credit for full-year 2018 amounted to a very favourable -0.04% (a negative figure indicates a positive impact on the results), compared to -0.06% for full-year 2017. Excluding Ireland, the credit cost ratio would have been 0.03%, compared to 0.09% for full-year 2017.
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 16% (fully loaded, Danish compromise). Our leverage ratio amounted to 6.1% at year-end 2018.

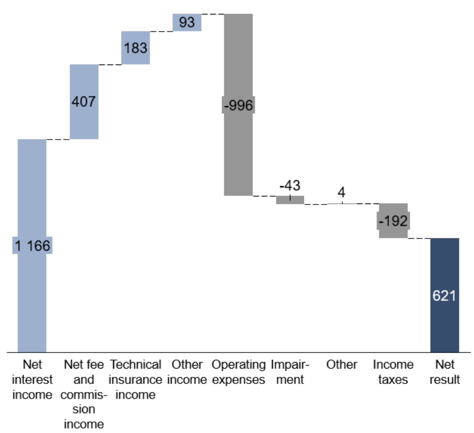
The cornerstones of our strategy

Our strategy rests on four principles:

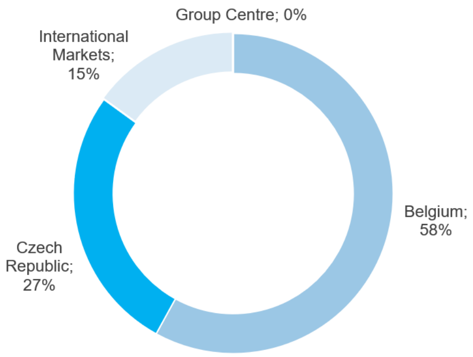
- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

Breakdown of the 4Q2018 result

(in millions of EUR)



Contribution of the business units to the group result (4Q2018)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	4Q2018 (IFRS 9)	3Q2018 (IFRS 9)	2Q2018 (IFRS 9)	1Q2018 (IFRS 9)	4Q2017 (IAS 39)	FY2018 (IFRS 9)	FY2017 (IAS 39)
Net interest income	1 166	1 136	1 117	1 125	1 029	4 543	4 121
Non-life insurance (before reinsurance)	198	197	202	162	152	760	706
Earned premiums	*409*	*403*	*392*	*378*	*384*	*1 582*	*1 491*
Technical charges	*-211*	*-205*	*-190*	*-216*	*-232*	*-822*	*-785*
Life insurance (before reinsurance)	-3	-9	1	-7	-3	-18	-58
Earned premiums	*416*	*293*	*315*	*336*	*410*	*1 359*	*1 271*
Technical charges	*-418*	*-302*	*-314*	*-343*	*-414*	*-1 377*	*-1 330*
Ceded reinsurance result	-12	-6	-14	-9	-10	-41	-8
Dividend income	15	12	34	21	8	82	63
Net result from financial instruments at fair value through P&L[1]	2	79	54	96	235	231	856
Net realised result from available-for-sale assets	-	-	-	-	51	-	199
Net realised result from debt instruments at fair value through other comprehensive income	0	0	8	1	-	9	-
Net fee and commission income	407	424	438	450	430	1 719	1 707
Other net income	76	56	23	71	-14	226	114
Total income	1 848	1 888	1 863	1 912	1 878	7 512	7 700
Operating expenses	-996	-981	-966	-1 291	-1 021	-4 234	-4 074
Impairment	-43	2	1	56	-2	17	30
Of which: on loans and receivables[2]	-	-	-	-	30	-	87
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	-30	8	21	63	-	62	-
Share in results of associated companies & joint ventures	4	2	3	6	-5	16	11
Result before tax	814	911	901	683	850	3 310	3 667
Income tax expense	-192	-211	-210	-127	-451	-740	-1 093
Result after tax	621	701	692	556	398	2 570	2 575
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**621**	**701**	**692**	**556**	**399**	**2 570**	**2 575**
Basic earnings per share (EUR)	1.44	1.63	1.61	1.30	0.92	5.98	6.03
Diluted earnings per share (EUR)	1.44	1.63	1.61	1.30	0.92	5.98	6.03

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-12-2018 (IFRS 9)	30-09-2018 (IFRS 9)	30-06-2018 (IFRS 9)	31-03-2018 (IFRS 9)	31-12-2017 (IAS 39)
Total assets	283 808	304 740	301 934	304 022	292 342
Loans and advances to customers, excl. reverse repos	147 052	146 011	145 346	142 512	140 999
Securities (equity and debt instruments)	62 708	63 030	63 936	66 050	67 743
Deposits from customers and debt certificates, excl. repos	194 291	194 056	192 951	188 034	193 708
Technical provisions, before reinsurance	18 324	18 533	18 595	18 754	18 641
Liabilities under investment contracts, insurance	12 949	13 444	13 428	13 338	13 552
Parent shareholders' equity	17 233	16 878	16 616	17 119	17 403

Selected ratios KBC group (consolidated)	FY2018	FY2017
Return on equity	16%	17%
Cost/income ratio, banking	57.5%	54.2%
(when excluding certain non-operating items)	(57%)	(55%)
Combined ratio, non-life insurance	88%	88%
Common equity ratio, Basel III Danish Compromise (fully loaded)	16.0%	16.3%[4]
Common equity ratio, FICOD (fully loaded)	14.9%	15.1%
Leverage ratio, Basel III (fully loaded)	6.1%	6.1%
Credit cost ratio[3]	-0.04%	-0.06%
Impaired loans ratio	4.3%	6.0%
for loans more than 90 days past due	2.5%	3.4%
Net stable funding ratio (NSFR)	136%	134%
Liquidity coverage ratio (LCR)	139%	139%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 A negative figure indicates a net impairment release (with a positive impact on the results).
4 Pro forma 15.9% taking into account the first-time application impact of IFRS 9 (-0.4%) at 1.01.2018

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 (4Q2018)

Total income 1 848 million euros	Total income decreased slightly by 2% quarter-on-quarter. Overall, net interest income, technical insurance income and other net income rose, while trading and fair value income and net fee and commission income fell.

Net interest income amounted to 1 166 million euros in the quarter under review. On a comparable basis, it was up 3% quarter-on-quarter and 2% year-on-year. In general, the pressure on commercial loan margins in most core countries and the negative effect of low reinvestment yields (in our core countries in the euro area) were more than offset by loan volume growth, lower funding costs (especially year-on-year) and higher interest rates in the Czech Republic. As already mentioned, interest income continued to be supported by loan volume growth: the total volume of customer lending rose by 1% quarter-on-quarter and 5% year-on-year (disregarding the sale of part of the Irish loan book). Customer deposits including debt certificates remained more or less unchanged quarter-on-quarter, but were up 1% year-on-year. Excluding debt certificates – which were down year-on-year due to several factors, including the lower level of certificates of deposits and contingent capital securities being redeemed in January – and repos, deposits were up 5% year-on-year, with increases in all business units. The net interest margin came to 2.02% for the quarter under review, up 4 basis points on the level recorded in the previous quarter and up 5 basis points on the level in the year-earlier quarter.

Technical income from our non-life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) contributed 187 million euros to total income and was down 2% on the previous quarter, as the higher level of premium income was offset by an increase in technical charges and a lower ceded reinsurance result. Non-life technical income was up 31% on its level of the fourth quarter of 2017, with the growth of earned premiums in all business units and lower technical charges being only slightly offset by the lower ceded reinsurance result. Overall, the combined ratio for full-year 2018 came to an excellent 88%, fully in line with the figure recorded for full-year 2017.

Technical income from our life insurance activities stood at -4 million euros, compared to -10 million euros in the previous quarter and -4 million euros in the year-earlier quarter. Sales of life insurance products (510 million euros) soared, ending 33% up on the level recorded in the previous quarter, due in part to seasonal effects (higher volumes in tax-incentivised pension savings products in Belgium), with most of the increase relating to guaranteed-interest products. Compared to the year-earlier quarter, sales of life insurance products were down 13% (decline in sales of unit-linked products). Overall, the share of guaranteed-interest products in our total life insurance sales stood at 67% in the fourth quarter of 2018, with unit-linked products accounting for the remaining 33%.

At 407 million euros, net fee and commission income was – on a comparable basis – down 4% and 11%, respectively, on its level of the previous and year-earlier quarters. The quarter-on-quarter drop was essentially the result of lower asset management-related fees and higher commissions paid on life insurance sales, slightly offset by higher fee income from banking services. The 11% year-on-year decline was caused by the decrease in asset management-related fees together with the decrease in banking fees. At the end of December 2018, our total assets under management stood at 200 billion euros, down 6% quarter-on-quarter and 8% year-on-year. In both cases, this was largely due to the negative impact of deteriorating asset prices.

All other remaining income items amounted to an aggregate 93 million euros, as opposed to 147 million euros in the previous quarter and 118 million euros in the year-earlier quarter (on a comparable basis). The figure for the fourth quarter of 2018 included 15 million euros in dividend income. It also included 76 million euros in other net income, up 20 million euros on the previous quarter, as the quarter under review was positively impacted by the settlement of legacy legal cases (33 million euros), and up 90 million euros on the last quarter of 2017, which had been adversely impacted by 61.5 million euros being set aside as a result of an industry-wide review of tracker rate mortgage products originated in Ireland before 2009. The other remaining income items also included a 2-million-euro net result from financial instruments at fair value (trading and fair value income). This figure was down on its level in the previous quarter, due mainly to the negative impact of various valuation adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and increased credit & funding spreads), which more than offset the higher value of derivatives used for asset/liability management purposes. Compared to the last quarter of 2017, trading and fair value income was down for the same reasons and also because of lower dealing room income year-on-year.

Operating expenses

996 million euros

Excluding bank taxes, operating expenses in the fourth quarter remained stable compared to the previous quarter. When certain non-operating items are excluded, the year-to-date cost/income ratio came to 57%.

Operating expenses in the fourth quarter of 2018 stood at 996 million euros. Excluding bank taxes, this is virtually the same level quarter-on-quarter, mainly on account of lower staff expenses and lower one-off items in the previous quarter, offset by increased professional fees in Belgium and higher ICT costs. Costs fell 3% year-on-year, due in part to lower marketing and staff expenses, despite strong wage inflation, which more than offset higher ICT costs, higher depreciation and amortisation costs and higher professional fees.

As a result, the cost/income ratio of our banking activities stood at 57.5% for full-year 2018. When certain non-operating items are excluded, the cost/income ratio came to 57%, compared to 55% for full-year 2017.

Loan loss impairment

30-million-euro net increase

Net increase of 30 million euros largely attributable to a number of corporate loans in Belgium. Favourable credit cost ratio of -0.04% for full-year 2018.

In the fourth quarter of 2018, we recorded a 30-million-euro net increase in loan loss impairment, compared with a net release of 8 million euros in the previous quarter and 30 million euros in the fourth quarter of 2017. Broken down by country, loan loss impairment charges in the fourth quarter of 2018 came to 48 million euros in Belgium, 5 million euros in Slovakia and 4 million euros in Bulgaria, with no loan loss impairment charges being recorded in the Czech Republic and a net release (with a positive impact) of 15 million euros in Ireland, 10 million euros in the Group Centre and 1 million euros in Hungary. For the entire group, the credit cost ratio amounted to a favourable -0.04% for full-year 2018 (a negative figure indicates a net release and, hence, has a positive impact on the results), compared to -0.06% for full-year 2017. Excluding Ireland, the credit cost ratio would have been 0.03% for full-year 2018 (0.09% for full-year 2017).

The impaired loans ratio improved further. At the end of December 2018, some 4.3% of our total loan book was classified as impaired, compared with 6% at year-end 2017. Part of this improvement (about one percentage point out of a total decrease of 1.7 percentage points) came about thanks to the sale of part of KBC Bank's Ireland's legacy portfolio. Impaired loans that are more than 90 days past due fell to 2.5% of the loan book, compared with 3.4% at year-end 2017.

Impairment on assets other than loans stood at 13 million euros, resulting mostly from a review of residual values of financial car leases in the Czech Republic. This figure compares with 6 million euros in the previous quarter and 32 million euros in the fourth quarter of 2017.

Income tax

192 million euros

Income tax below previous quarter's figure and significantly down on the figure recorded in the fourth quarter of 2017, which had included a significant one-off item.

In the last quarter of 2018, income tax amounted to 192 million euros. This was less than the figure recorded in the previous quarter, and much lower than the 451 million euros registered in the fourth quarter of 2017, which had been impacted by the one-off upfront booking of -211 million euros, caused by the 2018 reform of the Belgian corporation tax system (which, among other things, reduced the existing amount of deferred tax assets (impact of -243 million euros), though that was partly offset by the increase in dividend exemption (DBI) from 95% to 100% (impact of +32 million euros)).

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
361 million euros	170 million euros	93 million euros	-3 million euros

Belgium: the net result (361 million euros) was down 12% quarter-on-quarter. It included higher net interest income (+2%) and a lower level of trading and fair value income (negative impact of various valuation adjustments), as well as lower net fee and commission income. Other net income was up 29 million euros quarter-on-quarter due to the positive impact of the settlement of legacy legal cases in the fourth quarter. Costs were lower (reduction in ICT, staff and marketing expenses) and loan loss impairment edged up to 48 million euros, caused by a number of corporate loans.

Czech Republic: the net result (170 million euros) was up 2% on its level for the previous quarter, due mainly to increased net interest income (rising interest rates, etc.) and slightly higher net fee and commission income, which was partly compensated by lower trading and fair value income. Costs rose whereas loan loss impairment charges were zero.

International Markets: the 93-million-euro net result breaks down as follows: 13 million euros in Slovakia, 49 million euros in Hungary, 19 million euros in Bulgaria and 11 million euros in Ireland. For the business unit as a whole, the net result was down

34% quarter-on-quarter, which was largely due to lower trading and fair value income, higher bank taxes in Ireland and lower loan loss releases over the quarter.

Group Centre: the net result (-3 million euros) was up 14 million euros on the level recorded in the previous quarter, due largely to the higher value of derivatives used for asset/liability management purposes, partly offset by higher income taxes.

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**FY2018**	**FY2017**	**FY2018**	**FY2017**	**FY2018**	**FY2017**
Cost/income ratio, banking excluding certain non-operating items	58%	53%	46%	43%	65%	72%
Combined ratio, non-life insurance	87%	86%	97%	97%	90%	93%
Credit cost ratio[1]	0.09%	0.09%	0.03%	0.02%	-0.46%	-0.74%
Impaired loans ratio[2]	2.6%	2.8%	2.4%	2.4%	12.2%	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 2018 figures 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
19.6 billion euros	16.0%	139%	136%

At the end of December 2018, total equity stood at 19.6 billion euros (17.2 billion euros in parent shareholders' equity and 2.4 billion euros in additional tier-1 instruments), up 1.5 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 1.5 billion euros during the year resulted from the inclusion of the profit for that period (+2.6 billion euros), the issuance of a new additional tier-1 instrument in April 2018 (+1 billion euros), payment of the final dividend for 2017 in May 2018 and the decision to pay an interim dividend for 2018 in November 2018 (-0.8 billion euros and -0.4 billion euros, respectively), the share buyback (-0.2 billion euros), changes in various revaluation reserves (an aggregate -0.5 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 December 2018, our fully loaded common equity ratio (Basel III, under the Danish compromise) has increased by 24 basis points, quarter-on-quarter, to 16.22%. In line with our capital distribution policy, the Board of Directors decided that for the year 2018 the capital above the 'Reference Capital Position' (16%) will be paid out, which brought the common equity ratio at 16% at the end of full-year 2018. A total (gross) dividend for 2018 of 3.5 euros per share will be proposed to the AGM (which will lead to a pay-out ratio of 59%). 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 217% at year-end 2018. Our liquidity position remained excellent too, as reflected in an LCR ratio of 139% and an NSFR ratio of 136% at the end of December 2018.

Analysis of the year-to-date period (FY2018)

Net result

2 570 million euros

The net result for 2018 was in line with its 2017 level (2 575 million euros). On a comparable basis, the positive effect of the increase in net interest income, technical insurance income, dividend income, other net income and lower income taxes was offset by the significant drop in trading and fair value income, lower net fee and commission income, higher operating expenses and slightly lower level of loan loss impairment releases.

Highlights (compared to full-year 2017, on a comparable basis):

- Higher net interest income (up 3% to 4 543 million euros), thanks *inter alia* to the consolidation of UBB/Interlease (for the full twelve months in the 2018 figures, but for just six months in the 2017 figures), lower funding costs, interest rate increases in the Czech Republic and higher commercial lending volumes, which more than offset overall pressure on margins, the negative effects of low reinvestment yields in most euro area core countries and the lower net positive impact of FX swaps used in asset/liability management. The volume of deposits increased (+1%, or +5% excluding debt certificates and repos), as did the volume of lending (+5%). The average net interest margin in 2018 came to 2%, up 5 basis points on the level recorded in the reference period.
- A higher contribution to profit made by the technical insurance result (up 10% to 701 million euros). Life insurance sales (1 817 million euros) were down slightly (-3%), as the increased sales of guaranteed-interest products were more than offset by lower sales of unit-linked products. The non-life insurance technical result was higher (+3%) than in the year-earlier period, with higher premium income only being partly compensated by higher technical charges (the reference period had benefited

from a positive one-off release) and a lower ceded reinsurance result. The non-life combined ratio for 2018 stood at 88%, the same level as for full-year 2017.

- Lower net fee and commission income (down 5% to 1 719 million euros), attributable primarily to our asset management services (lower entry and management fees from mutual funds and unit-linked life insurance products). This was partly offset by higher net fee and commission income from banking services (up 2% year-on-year due mainly to higher fees from payment services), lower distribution fees paid and the consolidation of UBB/Interlease (included for twelve months, as opposed to six months in the reference figures). At the end of December 2018, total assets under management stood at 200 billion euros, down 8% on the level recorded a year earlier.
- A lower level of all other income items combined (down 25% to 548 million euros) caused mainly by a significantly lower trading and fair value result (negative impact from various valuation adjustments, decrease in the dealing room result and lower value of derivatives used for asset/liability management purposes), partly offset by an increase in dividend income and other net income (note that other net income in 2017 had included the booking of -116 million euros as a result of an industry-wide review of tracker rate mortgage products originated in Ireland before 2009).
- Higher operating expenses (up 4% to 4 234 million euros), partly due to Bulgaria (distorted due to the consolidation of UBB/Interlease for twelve months in 2018 as opposed to six months in 2017), higher bank taxes, some one-off items and FX effects. Excluding these items, the increase would be around 1.7%. The cost/income ratio came to 57.5%, or an adjusted 57% when certain non-operating items are excluded (compared to 54% and 55%, respectively, for 2017).
- A net release of loan loss impairment (62 million euros in 2018, compared to 87 million euros in 2017) thanks largely to the impairment releases in Ireland (112 million euros, mainly related to the effect of increased house prices on the mortgage loan portfolio). As a result, the annualised credit cost ratio for the whole group stood at an excellent -0.04% (a negative figure indicates a positive impact on the results), compared to -0.06% for 2017.
- Lower income taxes (down 32% to 740 million euros), mainly because the 2017 figure had included the one-off, upfront booking of -211 million euros, caused by the 2018 reform of the Belgian corporation tax system (see above).
- The net result for 2018 breaks down as follows: 1 450 million euros in the Belgium Business Unit, 654 million euros in the Czech Republic Business Unit, 533 million euros in the International Markets Business Unit and -67 million euros in the Group Centre. The result for the International Markets Business Unit for 2018 breaks down into 196 million euros in Hungary, 155 million euros in Ireland, 96 million euros in Bulgaria and 82 million euros in Slovakia.

Risk statement, economic views and guidance

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

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

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

Our view on interest rates and foreign exchange rates: Given the heightened downside risks to the outlook for the euro area economy, any significant tightening of ECB policy entailing an initial rate rise is still some time away. The ECB's first step towards a normalisation of its policy rate will only be taken after the summer of 2019 at the earliest. Over the past few months, the outlook for the US economy has remained steady despite some rising risks. However, the combination of increased financial market volatility and the Fed's more subdued outlook for headline inflation have made the case for a less aggressive Fed going forward. Given this shift in guidance, we now only expect one additional rate hike by the Fed in 2019. The short-term factors that supported the US dollar against the euro are waning now that the Fed has taken a more cautious stance. In the medium to long run, expectations of an ECB rate hike and the consequences of late-cyclical fiscal stimuli (twin deficits) in the US could lead to the euro appreciating.

Despite a still generally positive outlook for the global economy, uncertainty has increased about the economic conditions going forward. Investors continue to seek safe-haven assets, and long-term benchmark yields have fallen. With inflation expectations somewhat lower, safe haven trends persisting, and technical and policy factors at play that keep German bonds scarce, it is difficult to see a likely trigger for sharply increasing benchmark yields.

Unlike the dovish stance of the ECB, the Czech National Bank has been tightening its monetary policy in the light of a buoyant Czech growth and inflation environment. Given these favourable conditions, the Czech currency is expected to appreciate moderately by the end of 2019. We expect two more increases in the policy rate in the Czech Republic before the end of 2020.

Our view on economic growth: European economic conditions are generally solid, although the growth peak is behind us. Decreasing unemployment rates and growing labour shortages in some European economies combined with gradually rising wage inflation, will continue to support private consumption. Moreover, also investments will remain an important driver of growth. The main elements that could substantially impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro area countries.

Guidance

- Solid returns for all business units
- Negative impact of the first-time application of IFRS 16 (as of January 1st 2019) on our CET1 ratio of approximately 6 basis points
- Impact of the reform of the Belgian corporation income tax system: recurring positive impact on P&L from 2018 on, and one-off negative impact in the fourth quarter of 2017 should be fully recuperated in roughly three years' time
- Basel IV impact (as of January 1st 2022) for KBC estimated to increase RWA by roughly 8 billion euros (fully loaded basis) at year-end 2018, corresponding to RWA inflation of 9% and an impact on the CET1 ratio of -1.3 percentage points

For accounting year 2018 a total gross dividend of 3.5 euros per share will be proposed to the AGM, comprising an interim dividend of 1 euro per share (paid in November 2018) and a final dividend of 2.5 euros per share, which will be paid in May 2019. This results in a pay-out ratio of 59% for financial year 2018.

The statutory auditor, PwC Bedrijfsrevisoren cvba/Reviseurs d'Entreprises scrl, 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 requiring adjustments to the 2018 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 explanatory notes, comprising a summary of significant accounting policies and other explanatory notes included in this press release.

Financial calendar for 2019:

- 2018 Annual Report and 2018 Risk Report: 29 March 2019
- Annual General Meeting: 2 May 2019
- Final dividend dates: ex-date: 7 May 2019, record date: 8 May 2019, payment date: 9 May 2019
- Publication of 1Q 2019 results: 16 May 2019
- Publication of 2Q 2019 results: 8 August 2019
- Publication of 3Q 2019 results: 14 November 2019

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Annex

Pro forma recalculation of 2017 reference figures for the main income lines, KBC group (in millions of EUR, unaudited figures)					**Pro forma recalculation of 2017 reference figures**			
	4Q 2018	**3Q 2018**	**2Q 2018**	**1Q 2018**	**4Q 2017**	**3Q 2017**	**2Q 2017**	**1Q 2017**
Net interest income	1 166	1 136	1 117	1 125	1 029	1 039	1 028	1 025
+ accrued interest from 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)	2	79	54	96	235	182	249	191
- accrued interest from FX derivatives					-108	-75	-66	-56
- network income					-26	-25	-24	-24
+ result from 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	407	424	438	450	430	408	430	439
+ network income					+26	+25	+24	+24
= pro forma reference figure (used in our results analysis)					=456	=433	=454	=463

Accrued interest from FX derivatives: this item has been 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): this item has been moved from 'FIFV' to 'Net fee and commission income'.
Result from 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-sale 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 recognised in other comprehensive income (i.e. eliminated from the net result).

KBC Group

Consolidated financial statements according to IFRS

4Q 2018 and FY 2018

Glossary

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

Consolidated income statement

(in millions of EUR)	Note	2018 IFRS 9	2017 IAS 39	4Q 2018 IFRS 9	3Q 2018 IFRS 9	4Q 2017 IAS 39
Net interest income	3.1	4 543	4 121	1 166	1 136	1 029
Interest income	3.1	6 996	6 337	1 848	1 754	1 590
Interest expense	3.1	- 2 453	- 2 216	- 682	- 618	- 561
Non-life insurance (before reinsurance)	3.7	760	706	198	197	152
Earned premiums	3.7	1 582	1 491	409	403	384
Technical charges	3.7	- 822	- 785	- 211	- 205	- 232
Life insurance (before reinsurance)	3.7	- 18	- 58	- 3	- 9	- 3
Earned premiums	3.7	1 359	1 271	416	293	410
Technical charges	3.7	- 1 377	- 1 330	- 418	- 302	- 414
Ceded reinsurance result	3.7	- 41	- 8	- 12	- 6	- 10
Dividend income		82	63	15	12	8
Net result from financial instruments at fair value through profit or loss	3.3	231	856	2	79	235
of which result on equity instruments (overlay approach)	3.3	51	-	- 3	2	-
Net realised result from available-for-sale assets		-	199	-	-	51
Net realised result from debt instruments at fair value through OCI		9	-	0	0	-
Net fee and commission income	3.5	1 719	1 707	407	424	430
Fee and commission income	3.5	2 456	2 615	602	606	641
Fee and commission expense	3.5	- 737	- 908	- 196	- 182	- 210
Other net income	3.6	226	114	76	56	- 14
TOTAL INCOME		7 512	7 700	1 848	1 888	1 878
Operating expenses	3.8	- 4 234	- 4 074	- 996	- 981	- 1 021
Staff expenses	3.8	- 2 343	- 2 303	- 580	- 593	- 584
General administrative expenses	3.8	- 1 612	- 1 505	- 343	- 318	- 368
Depreciation and amortisation of fixed assets	3.8	- 280	- 266	- 73	- 70	- 70
Impairment	3.10	17	30	- 43	2	- 2
on loans and receivables	3.10	-	87	-	-	30
on financial assets at AC and at FVOCI	3.10	62	-	- 30	8	-
on available-for-sale assets	3.10	-	- 12	-	-	- 3
on goodwill	3.10	0	0	0	0	0
other	3.10	- 45	- 45	- 13	- 6	- 29
Share in results of associated companies and joint ventures		16	11	4	2	- 5
RESULT BEFORE TAX		3 310	3 667	814	911	850
Income tax expense	3.12	- 740	- 1 093	- 192	- 211	- 451
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		2 570	2 575	621	701	398
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**2 570**	**2 575**	**621**	**701**	**399**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		5,98	6,03	5,98	1,63	0,92
Diluted		5,98	6,03	5,98	1,63	0,92

As of 2018, the financial information is prepared in accordance with IFRS 9.

For more information see ‘Statement of compliance and (changes in) accounting policies’ (note 1.1) further in this report, including transition disclosures. KBC has opted to use transition relief for disclosing comparative information.

Overview impact of the overlay approach on the consolidated income statement

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

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to -228 million euros in 2018. It can be summarized as the difference between

- IFRS 9 result (without applying the overlay): -177 million euros of realised and unrealised fair value adjustments included in 'net result from financial instruments at fair value through profit or loss'
- IAS 39 result: 51 million euros including net realised result amounting to 110 million euros and impairment loss of 58 million euros.

The significant accounting policies were adjusted to take into account IFRS 9 and were re-designed. For an overview of new accounting policies, see the Consolidated financial statements according to IFRS of 1Q 2018 (pages 19 to 34) and the annual report of 2018.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	2018 IFRS 9	2017 IAS 39	4Q 2018 IFRS 9	3Q 2018 IFRS 9	4Q 2017 IAS 39
RESULT AFTER TAX	2 570	2 575	621	701	398
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	2 570	2 575	621	701	399
OCI TO BE RECYCLED TO PROFIT OR LOSS	- 425	4	- 159	- 25	- 23
Net change in revaluation reserve for equity instruments	-	- 31	-	-	- 12
Net change in revaluation reserve for bonds	-	38	-	-	153
Net change in revaluation reserve (FVOCI debt instruments)	- 246	-	- 4	- 104	-
Net change in revaluation reserve (FVPL equity instruments) - overlay approach	- 228	-	- 167	14	-
Net change in hedging reserve (cashflow hedges)	76	8	6	52	- 174
Net change in translation differences	- 60	- 99	19	58	14
Hedge of net investments in foreign operations	41	92	- 14	- 42	- 4
Net change in respect of associated companies and joint ventures	- 7	- 3	0	0	1
Other movements	- 2	- 2	1	- 3	- 1
OCI NOT TO BE RECYCLED TO PROFIT OR LOSS	- 66	80	- 91	37	22
Net change in revaluation reserve (FVOCI equity instruments)	- 6	-	- 15	4	-
Net change in defined benefit plans	- 67	86	- 81	34	23
Net change in own credit risk	7	- 6	5	- 1	- 1
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	2 079	2 658	372	713	397
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	2 079	2 658	372	713	398

As of 2018, the financial information is prepared in accordance with IFRS 9.

The largest movements in other comprehensive income (2018 vs. 2017):

- The revaluation reserve (FV OCI debt instruments) lowered in 2018 by -246 million euros, negatively impacted by higher interest rates (a.o. in Italy and to a lesser extent Belgium) and the unwinding effect (the latter also partly explains the positive net change in the hedging reserve (cash flow hedge) +76 million euros).
  The net change in defined benefit plans (-67 million euros) is mainly related to the negative performance of the plan assets (weak stock markets in 4Q 2018).
  In 2017, the net change in revaluation reserve (AFS assets) – Bonds, hedging reserve (cash flow hedge) and defined benefit plans amounted to respectively +38 million euros, +8 million euros and +86 million euros, which were all mainly explained by an increase in long-term interest rates, for the first two items more than offset by the impact of the tax reform in Belgium.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -228 million euros in 2018 can be explained for the largest part by negative fair value movements and to a lesser extent transfers to net result (gains on disposal partly offset by impairments). In 2017, net change in revaluation reserve (AFS assets) – Equity of -31 million euros was mainly affected by transfers to net result (gains on disposal) partly compensated by positive fair value movements.
- Net change in translation differences in 2018 (-60 million euros) is mainly caused by the slight depreciation of the CZK and HUF. This was largely compensated by the hedge of net investments in foreign operations (+41 million euros). The net impact between these two items can mainly be explained by the asymmetrical deferred tax treatment (no tax on net change in translation differences, while deferred tax is calculated on the hedge).

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2018 IFRS 9	31-12-2017 IAS 39	01-01-2018 IFRS 9
ASSETS				
Cash, cash balances with central banks and other demand deposits with credit institutions		18 691	29 727	
Financial assets	4.0	256 916	254 753	*253 817*
Held for trading	4.0	-	7 431	-
Designated at fair value through profit or loss	4.0	-	14 484	-
Available for sale	4.0	-	34 156	-
Loans and receivables	4.0	-	167 458	-
Held to maturity	4.0	-	30 979	-
Amortised cost	4.0	216 792	-	*210 865*
Fair value through OCI	4.0	18 279	-	*19 516*
Fair value through profit or loss	4.0	21 663	-	*23 191*
of which held for trading	4.0	6 426	-	*7 148*
Hedging derivatives	4.0	183	245	*245*
Reinsurers' share in technical provisions, insurance		120	131	
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		64	- 78	
Tax assets		1 549	1 625	
Current tax assets		92	82	
Deferred tax assets		1 457	1 543	
Non-current assets held for sale and disposal groups		14	21	
Investments in associated companies and joint ventures		215	240	
Property, equipment and investment property		3 299	3 207	
Goodwill and other intangible assets		1 330	1 205	
Other assets		1 610	1 512	
TOTAL ASSETS		283 808	292 342	
LIABILITIES AND EQUITY				
Financial liabilities	4.0	242 626	251 260	*251 260*
Amortised cost	4.0	220 671	227 944	
Fair value through profit or loss	4.0	20 844	22 032	
of which held for trading	4.0	5 834	6 998	
Hedging derivatives	4.0	1 111	1 284	
Technical provisions, before reinsurance		18 324	18 641	
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		- 79	- 86	
Tax liabilities		380	582	
Current tax liabilities		133	148	
Deferred tax liabilies		247	434	
Liabilities associated with disposal groups		0	0	
Provisions for risks and charges		235	399	
Other liabilities		2 689	2 743	
TOTAL LIABILITIES		264 175	273 540	
Total equity	5.10	19 633	18 803	
Parent shareholders' equity	5.10	17 233	17 403	*16 657*
Additional tier-1 instruments included in equity	5.10	2 400	1 400	
Minority interests		0	0	
TOTAL LIABILITIES AND EQUITY		283 808	292 342	

On 9 August 2018, KBC Bank Ireland reached agreement with Goldman Sachs to sell a loan portfolio of approximately 1.9 billion euros before impairments or 0.9 billion euros after impairments (based on the status end of March 2018). On 30 November 2018, KBC Group NV closed the sale. Consequently, as from 4Q 2018, this portfolio is excluded from all reported notes and ratios. For more information see note ‘Financial assets and liabilities: breakdown by portfolio and product’ (note 4.1) further in this report.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
2018 (IFRS 9)									
Balance at the end of the previous period (31-12-2017)	**1 456**	**5 467**	**- 5**	**10 101**	**383**	**17 403**	**1 400**	**0**	**18 803**
Impact of the first-time adoption of IFRS 9	0	0	0	- 247	- 499	- 746	0	0	- 746
Balance at the beginning of the period after impact IFRS 9 (01-01-2018)	**1 456**	**5 467**	**- 5**	**9 854**	**- 116**	**16 657**	**1 400**	**0**	**18 057**
Net result for the period	0	0	0	2 570	0	2 570	0	0	2 570
Other comprehensive income for the period	0	0	0	- 2	- 489	- 491	0	0	- 491
Subtotal	*0*	*0*	*0*	*2 568*	*- 489*	*2 079*	*0*	*0*	*2 079*
Dividends	0	0	0	-1 253	0	-1 253	0	0	-1 253
Coupon on additional tier-1 instruments	0	0	0	- 70	0	- 70	0	0	- 70
Capital increase	1	15	0	0	0	16	0	0	16
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 12	0	- 12	0	0	- 12
Issue of additional Tier-1 instruments included in equity	0	0	0	- 5	0	- 5	1 000	0	995
Purchase/sale of treasury shares	0	0	- 179	0	0	- 179	0	0	- 179
Liquidation of treasury shares	0	0	181	- 181	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	**1**	**15**	**2**	**1 047**	**- 489**	**576**	**1 000**	**0**	**1 576**
Balance at the end of the period	**1 457**	**5 482**	**- 3**	**10 901**	**- 605**	**17 233**	**2 400**	**0**	**19 633**
of which relating to application of the equity method					20	20			20

(in millions of EUR)	Revaluation reserve (AFS assets)	Revaluation reserve (FVOCI debt instruments)	Revaluation reserve (FVPL equity instruments) - overlay approach	Revaluation reserve (FVOCI equity instruments)	Hedging reserve (cashflow hedges)	Translation differences	Hedge of net investments in foreign operations	Remeasurement of defined benefit plans	Own credit risk through OCI	Total revaluation reserves
2018 (IFRS 9)										
Balance at the end of the previous period (31-12-2017)	***1 751***	***0***	***0***	***0***	***-1 339***	***- 11***	***45***	***- 52***	***- 10***	**383**
Impact of the first-time adoption of IFRS 9	*-1 751*	*837*	*387*	*29*	*0*	*0*	*0*	*0*	*0*	- 499
Balance at the beginning of the period after impact IFRS 9 (01-01-2018)	***0***	***837***	***387***	***29***	***-1 339***	***- 11***	***45***	***- 52***	***- 10***	**- 116**
Net result for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Other comprehensive income for the period	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	- 489
Subtotal	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	*- 489*
Dividends	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Coupon on additional tier-1 instruments	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Capital increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Transfer from revaluation reserves to retained earnings on realisation	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Issue of additional Tier-1 instruments included in equity	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Purchase/sale of treasury shares	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Liquidation of treasury shares	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Change in minorities interests	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Total change	***0***	***- 251***	***- 228***	***- 6***	***76***	***- 61***	***41***	***- 67***	***7***	**- 489**
Balance at the end of the period	***0***	***586***	***159***	***22***	***-1 263***	***- 73***	***86***	***- 119***	***- 3***	**- 605**
of which relating to application of the equity method	*0*	*5*	*0*	*1*	*0*	*14*	*0*	*0*	*0*	20

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Translation differences	Hedge of net investments in foreign operations	Remeasurement of defined benefit plans	Own credit risk through OCI	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
2017 (IAS 39)															
Balance at the end of the previous period	**1 455**	**5 453**	**0**	**8 751**	***1 756***	***-1 347***	***78***	***- 47***	***- 138***	***- 4***	**298**	**15 957**	**1 400**	**0**	**17 357**
Net result for the period	0	0	0	2 575	*0*	*0*	*0*	-	*0*	*0*	0	2 575	0	0	2 575
Other comprehensive income for the period	0	0	0	- 2	*- 5*	*8*	*- 90*	*92*	*86*	*- 6*	*86*	84	0	0	84
Subtotal	0	0	0	2 573	*- 5*	*8*	*- 90*	*92*	*86*	*- 6*	*86*	2 658	0	0	2 658
Dividends	0	0	0	-1 171	*0*	*0*	*0*	-	*0*	*0*	0	-1 171	0	0	-1 171
Coupon additional Tier-1 instruments	0	0	0	- 52	*0*	*0*	*0*	-	*0*	*0*	0	- 52	0	0	- 52
Capital increase	1	15	0	0	*0*	*0*	*0*	-	*0*	*0*	0	15	0	0	15
Purchase/sale of treasury shares	0	0	- 5	0	*0*	*0*	*0*	-	*0*	*0*	0	- 5	0	0	- 5
Change in minorities	0	0	0	0	*0*	*0*	*0*	-	*0*	*0*	0	0	0	0	0
Change in scope	0	0	0	0	*0*	*0*	*0*	-	*0*	*0*	0	0	0	0	0
Total change	1	15	- 5	1 350	*- 5*	*8*	*- 90*	*92*	*86*	*- 6*	86	1 446	0	0	1 446
Balance at the end of the period	**1 456**	**5 467**	**- 5**	**10 101**	***1 751***	***-1 339***	***- 11***	***45***	***- 52***	***- 10***	**383**	**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*	*16*	*0*	*0*	*0*	30	30	-	-	30

Dividend over 2018: in line with our dividend policy, the Board of 8 August 2018 has decided to pay an interim dividend of 1 euro per share (416 million euros in total), as an advance payment on the total dividend (payment date 16 November 2018, but already deducted from retained earnings in 3Q 2018).
Please note that, for 2018, KBC will additionally propose a closing dividend of 2.5 euros per share (will be deducted from retained earnings in 2Q 2019 subject to approval) to the Annual Meeting on 2 May 2019 (i.e. pay-out ratio of 59% including the total dividend and AT1 coupon).

Dividend over 2017: in line with our dividend policy, KBC paid an interim dividend of 1 euro per share (418 million euros in total), as an advance payment on the total dividend (deducted from retained earnings in 2017).
Furthermore, for 2017 the board of directors has additionally proposed to the general meeting of shareholders, which was approved on 3 May 2018:

- a closing dividend of 2 euro per share (a total of 837 million euros is deducted from retained earnings in 2Q 2018).
- a buy-back of 2.7 million shares

i.e. a pay-out ratio of 59% including the total dividend, AT1 coupon and share buy-back. Until 3 July 2018 a total number of 2 700 000 of own shares were bought under the share buy-back program for a total amount of 181 million euros, which were subsequently cancelled.

For more information see note ‘Parent shareholders equity and AT1 instruments‘ (note 5.10) further in this report.

Consolidated cash flow statement

More details will be available in the annual report of 2018.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2017)

The condensed interim financial statements of the KBC Group for the fourth quarter 2018 and for the 12 months ended 31 December 2018 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 should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The following IFRS standards became effective on 1 January 2018 and have been applied in this report:

- IFRS 9
  - IFRS 9 (Financial instruments) on the classification and measurement of financial instruments has been implemented as per 1st January 2018 as a replacement of IAS 39 (Financial Instruments: Recognition and Measurement). KBC applies IFRS 9 also to its insurance entities and, therefore, does not make use of the possibility offered by the IAS Board to temporarily defer implementation of IFRS 9 for its insurance entities.
  - 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. For equity instruments not held for trading situated in our insurance activities, KBC applies the overlay approach to eligible equity instruments (reflecting a consistent treatment 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 are classified into three stages, namely Stage 1: Performing; Stage 2: Performing with increased credit risk (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 is used for the investment portfolio, except that KBC uses 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 recorded 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'. 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.
  - Hedge accounting: KBC uses the option to continue with hedge accounting under IAS 39 and awaits further developments at the IASB regarding macro hedging.
  - As a result of the application of IFRS 9, the income statement, balance sheet, statement of comprehensive income and the statement of changes in equity, together with the Notes have changed significantly. KBC has opted to use transition relief for disclosing comparative information. The accounting policies in Note 1.2 are adjusted to include IFRS 9, and are re-designed. For the accounting policies, applicable on the comparative figures, we refer to the Group's annual accounts as at 31 December 2017. The transition disclosures are included in Note 1.4 and additional explanations are given in the notes, where relevant.
  - For financial liabilities, the aspects of IFRS 9 relating to the presentation of gains and losses on own credit risk for financial instruments designated at fair value through profit or loss were early adopted with effect from 1 January 2017.
  - Presentation change of interest accruals for FX derivatives, which are shifted from 'Net result from financial instruments at fair value through profit or loss' to 'Net interest income'. This new presentation is connected to IFRS 9 due to a decision from IFRIC (International Financial Reporting Interpretation Committee) from 20 November 2017. This avoids an asymmetric presentation as the interest accrual of the underlying transaction is also presented under 'Net interest income'. If 2017 would have been restated for this item, the impact of the shift to Net interest income would have been 56 million euro in 1Q 2017, 66 million euro in 2Q 2017, 75 million euro in 3Q 2017, 108 million euro in 4Q 2017 and 305 million euro in FY 2017.

- KBC does 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 reflects the full impact of IFRS 9.

- IFRS 15 (Revenue from Contract with Customers) provides guidance on the recognition of revenue. 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. The new requirements had no material impact on the revenue recognition of KBC.

The following other change in presentation and accounting policies is applied in 2018:

- A change in presentation was made with regard to 'Network income' which is shifted from 'Net result from financial instruments at fair value through profit or loss' to 'Net fee and commission income'. 'Network income' is income received from margins earned on FX transactions (related to payments, credits, deposits, investments) and performed by the network (branches, online) for clients. The new presentation better reflects the business reality it concerns income received from margins earned on FX transactions carried out by the network for clients. 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 24 million euros in 1Q 2018, 24 million euros in 2Q 2018, 25 million euros in 3Q 2018, 26 million euros in 4Q 2018, before tax).

The following IFRS standards were issued but not yet effective in 2018. KBC will apply these standards when they become mandatory.

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). Currently a negative impact of the first-time application on our CET1 ratio is estimated of approximately 6 bps.

IFRS 17

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

Summary of significant accounting policies (note 1.2 in the annual accounts 2017)

The significant accounting policies were adjusted to take into account IFRS 9 and were re-designed. For an overview of new accounting policies, see the Consolidated financial statements according to IFRS of 1Q 2018 (pages 19 to 34) and the annual report of 2018.

Transition disclosures IFRS 9 (note 1.4)

As from the 1st of January 2018, the consolidated financial statements are prepared in accordance with IFRS 9. KBC has opted to make use of transition relief for disclosing comparative information.

Total FTA (first time application) impact of the transition from IAS 39 to IFRS 9 as per 1st January 2018, including both the impact on the financial assets and provisions, is a decrease in equity amounting to -949 million euros before tax (-746 million euros after tax), split between:

- a classification and measurement impact of -661 million euros before tax, mainly decreasing OCI (other comprehensive income) reserves and
- an increase in impairments and provisions amounting to -288 million euros before tax

For more information on transition disclosures see the Consolidated financial statements according to IFRS 1Q 2018 (pages 35 to 37) and the annual report of 2018.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2017)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2017.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which:* Hungary	Slovakia	Bulgaria	Ireland	Group Centre	KBC Group
INCOME STATEMENT FOR 2018 (IFRS 9)									
Net interest income	2 576	1 043	896	*243*	*211*	*151*	*291*	29	4 543
Non-life insurance (before reinsurance)	527	103	117	*42*	*25*	*50*	*0*	12	760
Earned premiums	1 070	248	254	*109*	*41*	*104*	*0*	10	1 582
Technical charges	- 543	- 145	- 137	*- 67*	*- 16*	*- 54*	*0*	2	- 822
Life insurance (before reinsurance)	- 110	58	34	*10*	*13*	*12*	*0*	- 1	- 18
Earned premiums	998	260	101	*17*	*53*	*32*	*0*	0	1 359
Technical charges	- 1 108	- 202	- 67	*- 6*	*- 40*	*- 20*	*0*	0	- 1 377
Ceded reinsurance result	- 26	- 8	- 11	*- 3*	*- 2*	*- 6*	*0*	4	- 41
Dividend income	74	1	0	*0*	*0*	*0*	*0*	7	82
Net result from financial instruments at fair value through profit or loss	101	72	74	*60*	*6*	*13*	*- 5*	- 17	231
Net realised result from debt instruments at fair value through OCI	0	0	0	*- 1*	*0*	*1*	*0*	9	9
Net fee and commission income	1 182	257	284	*197*	*59*	*29*	*- 1*	- 3	1 719
Other net income	225	14	17	*15*	*4*	*- 1*	*- 1*	- 30	226
TOTAL INCOME	4 549	1 540	1 412	*565*	*316*	*248*	*284*	11	7 512
Operating expenses	- 2 484	- 729	- 909	*- 345*	*- 205*	*- 143*	*- 216*	- 112	- 4 234
Impairment	- 93	- 42	118	*9*	*- 4*	*1*	*111*	35	17
on financial assets at amortised cost and at fair value through OCI	- 91	- 8	127	*9*	*- 4*	*10*	*112*	35	62
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
other	- 2	- 34	- 9	*- 1*	*0*	*- 9*	*0*	0	- 45
Share in results of associated companies and joint ventures	- 8	19	5	*0*	*0*	*1*	*0*	0	16
RESULT BEFORE TAX	1 963	788	626	*228*	*107*	*107*	*180*	- 67	3 310
Income tax expense	- 513	- 134	- 93	*- 32*	*- 25*	*- 11*	*- 24*	0	- 740
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	1 450	654	533	*196*	*82*	*96*	*155*	- 67	2 570
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	1 450	654	533	*196*	82	96	155	- 67	2 570
INCOME STATEMENT FOR 2017 (IAS 39)									
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	1 043	216	224	*100*	*36*	*88*	*0*	8	1 491
Technical charges	- 516	- 130	- 141	*- 64*	*- 12*	*- 65*	*0*	3	- 785
Life insurance (before reinsurance)	- 132	48	25	*7*	*12*	*5*	*0*	1	- 58
Earned premiums	927	260	85	*16*	*49*	*20*	*0*	0	1 271
Technical charges	- 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
Other net 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
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
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
attributable to equity holders of the parent	1 575	702	444	146	79	50	167	- 146	2 575

Other notes

Net interest income (note 3.1 in the annual accounts 2017)

(in millions of EUR)	2018 IFRS 9	2017 IAS 39	4Q 2018 IFRS 9	3Q 2018 IFRS 9	4Q 2017 IAS 39
Total	**4 543**	**4 121**	**1 166**	**1 136**	**1 029**
Interest income	6 996	6 337	1 848	1 754	1 590
Interest income on financial instruments calculated using the effective interest rate method					
Loans and receivables	-	3 819	-	-	965
Held-to-maturity investments	-	853	-	-	207
Financial assets at AC	5 229	-	1 358	1 304	-
Available-for-sale assets	-	650	-	-	159
Financial assets at FVOCI	425	-	97	130	-
Hedging derivatives	379	274	82	125	82
Other assets not at fair value	73	165	22	14	46
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	8	1	2	2	0
Financial assets held for trading	883	570	288	179	130
Of which economic hedges	*856*	*544*	*280*	*173*	*122*
Other financial assets at FVPL	0	5	0	0	1
Interest expense	-2 453	-2 216	- 682	- 618	- 561
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	-1 166	- 955	- 349	- 298	- 242
Hedging derivatives	- 584	- 479	- 155	- 163	- 121
Other	- 126	- 102	- 28	- 37	- 34
Interest expense on other financial instruments					
Financial liabilities held for trading	- 543	- 643	- 140	- 112	- 155
Of which economic hedges	*- 516*	*- 620*	*- 133*	*- 106*	*- 148*
Other financial liabilities at FVPL	- 29	- 29	- 8	- 7	- 6
Net interest expense relating to defined benefit plans	- 6	- 8	- 2	- 1	- 2

The presentation of interest accruals for FX derivatives has changed: for more information see ‘Statement of compliance’ (note 1.1).

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2017)

As of 2018, the financial information is prepared in accordance with IFRS 9. Equity instruments of the insurance companies are accounted for using the overlay approach. For more information see consolidated financial statements according to IFRS 1Q 2018 under ‘Summary of significant accounting policies’ (note 1.2).

The result from financial instruments at fair value through profit or loss in 4Q 2018 is 77 million euros lower compared to 3Q 2018. The quarter-on-quarter decrease is due to:

- A negative change in market value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and increased credit and funding spreads)
- And to a lesser extent lower results of the overlay approach equity instruments insurance

Partly compensated by

- More positive MTM ALM derivatives in 4Q18 compared to 3Q18

Dealing room income remained stable.

Compared to 4Q 2017, the result from financial instruments at fair value through profit or loss is 233 million euros lower in 4Q 2018, for a large part explained by:

- Presentation changes :
    - With regard to interest accruals for FX derivatives, which are shifted from ‘Net result from financial instruments at fair value through profit or loss’ to ‘Net interest income’ for an amount of 108 million euros in 4Q 2017 (for more information, see note ‘Statement of compliance’ (note 1.1)).
    - With regard to ‘Network income’ which is shifted from ‘Net result from financial instruments at fair value through profit or loss’ to ‘Net fee and commission income’ for an amount of 26 million euros in 4Q 2017 (for more information, see note ‘Statement of compliance’ (note 1.1)).

- With regard to overlay approach equity instruments insurance: as of 2018, the result from financial instruments at fair value through profit or loss includes the net realized result and impairments on equity instruments of the insurers (+17 million euros in 4Q 2017).

- Excluding these items the result from financial instruments at fair value through profit or loss in 4Q 2018 is 116 million euros lower compared to 4Q 2017, mainly explained by:
  - A negative change in market value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and increased credit and funding spreads)
  - Lower dealing room income, mainly in Czech Republic
  - Lower results of the overlay approach equity instruments insurance.

  Partly compensated by
  - Higher positive MTM ALM derivatives in 4Q 2018 compared to 4Q 2017.

The result from financial instruments at fair value through profit or loss in 2018 is 626 million euros lower compared to 2017, for a large part explained by:

- Presentation changes :
  - Shift of interest accruals for FX derivatives (305 million euros in 2017) and network income (99 million euros in 2017) out of the result from financial instruments at fair value through profit or loss, partially compensated by the inclusion of the results of the overlay approach equity instruments insurance in the result from financial instruments at fair value through profit or loss (70 million euros in 2017).
- Excluding these items, the result from financial instruments at fair value through profit or loss in 2018 is 291 million euros lower compared to 2017, mainly explained by:
  - Lower dealing room income in Czech Republic and Belgium
  - Negative market value adjustments in 2018 compared to positive market value adjustments in 2017 adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and increased credit spreads)
  - Less (but still) positive MTM ALM derivatives in 2018 compared to higher positive MTM ALM derivatives in 2017 (mainly as a result of CZK/EUR spread tightening in 2017)
  - Lower results of the overlay approach equity instruments insurance.

Net fee and commission income (note 3.5 in the annual accounts 2017)

(in millions of EUR)	2018 IFRS 9	2017 IAS 39	4Q 2018 IFRS 9	3Q 2018 IFRS 9	4Q 2017 IAS 39
Total	1 719	1 707	407	424	430
Fee and commission income	2 456	2 615	602	606	641
Fee and commission expense	- 737	- 908	- 196	- 182	- 210
Breakdown by type					
Asset Management Services	1 110	1 232	255	275	301
Fee and commission income	1 168	1 289	271	289	316
Fee and commission expense	- 58	- 57	- 16	- 15	- 15
Banking Services	883	764	225	219	204
Fee and commission income	1 226	1 267	316	304	309
Fee and commission expense	- 343	- 502	- 91	- 85	- 106
Distribution	- 274	- 290	- 74	- 70	- 75
Fee and commission income	62	59	15	13	15
Fee and commission expense	- 336	- 349	- 89	- 83	- 89

A change in presentation was made with regard to ‘Network income’ which is shifted from ‘Net result from financial instruments at fair value through profit or loss’ to ‘Net fee and commission income’. ‘Network income’ is income received from margins earned on FX transactions (related to payments, credits, deposits, investments) and performed by the network (branches, online) for clients. The new presentation better reflects the business reality. 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 in 3Q 2018 and 28 million euros in 4Q18, before tax; for 2018 network income amounts to 103 million euros, before tax).

As of 2018, the financial information is prepared in accordance with IFRS 9. However, net fee and commission income is not impacted. The impact of the implementation of IFRS 15 (revenue recognition) is negligible.

Net other income (note 3.6 in the annual accounts 2017)

(in millions of EUR)	2018 IFRS 9	2017 IAS 39	4Q 2018 IFRS 9	3Q 2018 IFRS 9	4Q 2017 IAS 39
Total	226	114	76	56	- 14
of which gains or losses on					
Sale of loans and receivables	-	3	-	-	1
Sale of held-to-maturity investments	-	3	-	-	0
Sale of financial assets measured at amortised cost	15	-	- 2	5	-
Repurchase of financial liabilities measured at amortised cost	0	0	0	0	0
Other, including:	212	109	78	51	- 15
Income from (mainly operational) leasing activities, KBC Lease Group	69	73	15	20	14
Income from VAB Group	57	64	13	14	15
Settlement of legacy legal files	18	14	33	5	0
One-off fee paid (Bulgaria)	0	- 5	0	0	0
Provisioning for tracker mortgage review	0	- 116	0	0	- 62

Note : settlement of legacy legal files concerns Group Centre (in 3Q 2018 of 5 million euros and 2Q 2018 of -38 million euros), Belgium (in 1Q 2018 of 18 million euros and 4Q18 of 33 million euros) and Czech Republic (in 1Q 2017 of 14 million euros).

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2017)

(in millions of EUR)	Life	Non-life	Non-technical account	TOTAL
2018 (IFRS 9)				
Earned premiums, insurance (before reinsurance)	1 361	1 601	-	2 962
Technical charges, insurance (before reinsurance)	- 1 377	- 824	-	- 2 201
Net fee and commission income	- 29	- 311	-	- 339
Ceded reinsurance result	- 2	- 39	-	- 41
General administrative expenses	- 150	- 251	- 3	- 404
Internal claims settlement expenses	- 9	- 59	-	- 67
Indirect acquisition costs	- 31	- 70	-	- 100
Administrative expenses	- 111	- 123	-	- 234
Investment management fees	0	0	- 3	- 3
Technical result	- 196	176	- 3	- 23
Net interest income			507	507
Net dividend income			53	53
Net result from financial instruments at fair value through profit or loss			64	64
Net realised result from debt instruments at fair value through OCI			1	1
Other net income			1	1
Impairment			- 2	- 2
Allocation to the technical accounts	506	79	- 585	0
Technical-financial result	310	255	36	601
Share in results of associated companies and joint ventures			4	4
RESULT BEFORE TAX	310	255	40	605
Income tax expense				- 146
RESULT AFTER TAX				459
attributable to minority interest				0
attributable to equity holders of the parent				459
2017 (IAS 39)				
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
General administrative expenses	- 140	- 247	- 3	- 389
Internal claims settlement expenses	- 8	- 56	-	- 65
Indirect acquisition costs	- 31	- 73	-	- 103
Administrative expenses	- 100	- 118	-	- 218
Investment management fees	0	0	- 3	- 3
Technical result	- 216	178	- 3	- 41
Net interest income			564	564
Net dividend income			39	39
Net result from financial instruments at fair value through profit or loss			- 2	- 2
Net realised result from available-for-sale assets			84	84
Other net income			- 10	- 10
Impairment			- 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

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2017 annual accounts).

As of 2018, the financial information is prepared in accordance with IFRS 9. Equity instruments of the insurance companies are accounted for using the overlay approach. For more information see note ‘Summary of significant accounting policies’ (note 1.2), as well as the narrative under the income statement.
Because of the overlay approach, the bottom line P&L impact of equity instruments will not be different under IAS 39 or IFRS 9. However, under IAS 39 the proceeds of sales were presented in ‘Net realised result from available-for-sale assets’, and the impairment losses on these equity instruments were included in ‘Impairment’. Under IFRS 9 with the overlay approach, these impacts are presented in ‘Net result from financial instruments at fair value through profit or loss’.

Operating expenses – income statement (note 3.8 in the annual accounts 2017)

As of 2018, the financial information is prepared in accordance with IFRS 9. However, operating expenses are not impacted.

The operating expenses for 4Q 2018 include 41 million euros related to bank (and insurance) levies (26 million euros in 3Q 2018; 41 million euros in 4Q 2017; 462 million euros in 2018 and 439 million euros in 2017). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

Impairment – income statement (note 3.10 in the annual accounts 2017)

(in millions of EUR)	2018 IFRS 9	2017 IAS 39	4Q 2018 IFRS 9	3Q 2018 IFRS 9	4Q 2017 IAS 39
Total	17	30	- 43	2	- 2
Impairment on financial assets at AC (IFRS 9) and on loans and receivables (IAS 39)	59	87	- 30	8	30
By product					
Loans and advances	43	146	- 39	14	31
Debt securities	1	0	- 1	1	0
Off-balance-sheet commitments and financial guarantees	15	- 59	9	- 7	- 1
By type					
Stage 1 (12-month ECL)	- 21	-	- 2	- 9	-
Stage 2 (lifetime ECL)	37	-	4	- 15	-
Stage 3 (non-performing; lifetime ECL)	56	-	- 31	43	-
Purchased or originated credit impaired assets	- 13	-	- 2	- 12	-
Specific impairment, on-balance-sheet lending	-	86	-	-	- 2
Provisions for off-balance-sheet commitments and financial guarantees (*)	-	- 59	-	-	- 1
Portfolio-based impairment	-	60	-	-	33
Impairment on financial assets at FVOCI (IFRS 9) and on available-for-sale assets (IAS 39)	3	- 12	0	1	- 3
Equity instruments (**)	-	- 12	-	-	- 3
Debt securities	3	0	0	1	0
Stage 1 (12-month ECL)	2	-	0	0	-
Stage 2 (lifetime ECL)	1	-	0	0	-
Stage 3 (non-performing; lifetim	0	-	0	0	-
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 45	- 45	- 13	- 6	- 29
Intangible fixed assets (other than goodwill)	0	- 13	0	0	- 12
Property, plant and equipment (including investment property)	- 45	- 28	- 13	- 6	- 16
Held-to-maturity assets (IAS 39)	-	- 1	-	-	0
Associated companies and joint ventures	0	0	0	0	0
Other	0	- 4	0	- 1	0

** As from current year, the provisions for off-balance-sheet credit commitments are included in the lines Loss allowance per stage above.*

*** Under IFRS 9, equity instruments at FVOCI are not subject to impairment calculation*

Income tax expense – income statement (note 3.12 in the annual accounts 2017)

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

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2017)

(in millions of EUR)	Amortised cost (AC)	Fair value through OCI (FVOCI)	Mandatorily at FVPL other than held for trading (MFVPL excl. HFT)	Held for trading (HFT)	Available for sale	Loans and receivables	Held to maturity	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL ASSETS, 31-12-2018 (IFRS 9)										
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 069	0	0	0	-	-	-	0	0	5 070
Loans and advances to customers (excl. reverse repos)	146 954	0	85	0	-	-	-	13	0	147 052
Trade receivables	4 197	0	0	0	-	-	-	0	0	4 197
Consumer credit	4 520	0	0	0	-	-	-	0	0	4 520
Mortgage loans	60 766	0	71	0	-	-	-	0	0	60 837
Term loans	65 717	0	14	0	-	-	-	13	0	65 744
Finance lease	5 618	0	0	0	-	-	-	0	0	5 618
Current account advances	5 527	0	0	0	-	-	-	0	0	5 527
Other	609	0	0	0	-	-	-	0	0	609
Reverse repos	21 133	0	0	0	-	-	-	0	0	21 134
with credit institutions and investment firms	20 976	0	0	0	-	-	-	0	0	20 977
with customers	157	0	0	0	-	-	-	0	0	157
Equity instruments	0	258	1 249	763	-	-	-	0	0	2 271
Investment contracts (insurance)	0	0	13 837	0	-	-	-	0	0	13 837
Debt instruments issued by	41 649	18 020	54	714	-	-	-	0	0	60 437
Public bodies	35 710	12 025	0	557	-	-	-	0	0	48 292
Credit institutions and investment firms	3 032	2 579	0	76	-	-	-	0	0	5 687
Corporates	2 907	3 417	54	81	-	-	-	0	0	6 458
Derivatives	0	0	0	4 942	-	-	-	0	183	5 124
Other	1 986	0	0	6	-	-	-	0	0	1 992
Total	216 792	18 279	15 224	6 426	-	-	-	13	183	256 916
FINANCIAL ASSETS, 31-12-2017 (IAS 39)										
Loans and advances to credit institutions and investment firms (excl. reverse repos)	-	-	-	1	0	4 877	0	0	0	4 878
Loans and advances to customers (excl. reverse repos)	-	-	-	0	0	140 960	0	38	0	140 999
Trade receivables	-	-	-	0	0	3 986	0	0	0	3 986
Consumer credit	-	-	-	0	0	3 857	0	0	0	3 857
Mortgage loans	-	-	-	0	0	60 601	0	23	0	60 625
Term loans	-	-	-	0	0	61 824	0	15	0	61 839
Finance lease	-	-	-	0	0	5 308	0	0	0	5 308
Current account advances	-	-	-	0	0	4 728	0	0	0	4 728
Other	-	-	-	0	0	656	0	0	0	656
Reverse repos	-	-	-	2	0	20 074	0	0	0	20 076
with credit institutions and investment firms	-	-	-	2	0	19 570	0	0	0	19 572
with customers	-	-	-	0	0	504	0	0	0	504
Equity instruments	-	-	-	508	1 658	0	0	0	0	2 165
Investment contracts (insurance)	-	-	-	0	0	0	0	14 421	0	14 421
Debt instruments issued by	-	-	-	1 156	32 498	921	30 979	24	0	65 578
Public bodies	-	-	-	955	22 307	52	29 096	0	0	52 410
Credit institutions and investment firms	-	-	-	121	4 468	125	1 177	0	0	5 891
Corporates	-	-	-	80	5 723	744	706	24	0	7 277
Derivatives	-	-	-	5 765	0	0	0	0	245	6 010
Other	-	-	-	0	0	626	0	0	0	626
Total	-	-	-	7 431	34 156	167 458	30 979	14 484	245	254 753

(in millions of EUR)	Amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-12-2018 (IFRS 9)					
Deposits from credit institutions and investment firms (excl. repos)	23 684	0	0	-	23 684
Deposits from customers and debt securities (excl. repos)	192 004	226	2 061	-	194 291
Demand deposits	79 893	0	0	-	79 893
Time deposits	16 499	49	296	-	16 844
Savings accounts	60 067	0	0	-	60 067
Special deposits	2 629	0	0	-	2 629
Other deposits	211	0	0	-	211
Certificates of deposit	15 575	0	8	-	15 583
Savings certificates	1 700	0	0	-	1 700
Convertible bonds	0	0	0	-	0
Non-convertible bonds	13 029	176	1 572	-	14 777
Convertible subordinated liabilities	0	0	0	-	0
Non-convertible subordinated liabilities	2 402	0	186	-	2 588
Repos	1 001	0	0	-	1 001
with credit institutions and investment firms	932	0	0	-	932
with customers	69	0	0	-	69
Liabilities under investment contracts	0	-	12 949	-	12 949
Derivatives	-	4 673	0	1 111	5 784
Short positions	-	935	0	-	935
In equity instruments	-	16	0	-	16
In debt instruments	-	919	0	-	919
Other	3 982	0	0	-	3 983
Total	220 671	5 834	15 010	1 111	242 626
FINANCIAL LIABILITIES, 31-12-2017 (IAS 39)					
Deposits from credit institutions and investment firms (excl. repos)	27 746	3	12	-	27 761
Deposits from customers and debt securities (excl. repos)	192 019	219	1 470	-	193 708
Demand deposits	73 606	0	0	-	73 606
Time deposits	18 983	11	403	-	19 397
Savings accounts	56 692	0	0	-	56 692
Special deposits	2 235	0	0	-	2 235
Other deposits	549	0	0	-	549
Certificates of deposit	22 579	0	14	-	22 593
Savings certificates	1 721	0	0	-	1 721
Convertible bonds	0	0	0	-	0
Non-convertible bonds	12 323	208	866	-	13 397
Convertible subordinated liabilities	0	0	0	-	0
Non-convertible subordinated liabilities	3 330	0	186	-	3 516
Repos	5 835	0	0	-	5 836
with credit institutions and investment firms	5 575	0	0	-	5 575
with customers	260	0	0	-	260
Liabilities under investment contracts	0	-	13 552	-	13 552
Derivatives	-	5 868	0	1 284	7 152
Short positions	-	905	0	-	905
In equity instruments	-	13	0	-	13
In debt instruments	-	892	0	-	892
Other	2 344	3	0	-	2 347
Total	227 944	6 998	15 034	1 284	251 260

The equity instruments for which the overlay approach is applied represent all equity instruments reported as 'Mandatorily at FVPL other than Held for trading'.

In order to provide a more transparent view on the different products, the presentation of note 4.1 has been slightly changed: (reverse) repos are as of 2018 excluded from loans and advances to credit institutions and customers (deposits from credit institutions and customers), while (reverse) repos are now presented separately. The reference figures have been restated accordingly.

Within the framework for issues of green bonds, on June 20, 2018 KBC Group launched an initial issue with a term of five years and a value of 500 million euros at a margin of 72 basis points above benchmark rate. KBC is the first Belgian financial institution to bring its own green bond into the market.

On 9 August 2018 KBC Bank Ireland reached agreement with Goldman Sachs to sell a loan portfolio of approximately 0.9 billion euros or 1.9 billion euros before impairments (based on the status end of March 2018), comprising of: non-performing Corporate book, non-performing Irish Buy-to-Let Mortgage Loans and performing and non-performing UK Buy-to-Let Mortgage Loans. The closing date was 30 November 2018.

The sale of this loan portfolio distorts the comparison with 31/12/2017 figures for term loans and mortgage loans. For comparison reasons, the sold loan portfolio on 31/12/2017 amounted to 0,3 billion euros for loans and advances to customers excluding reverse repos and 0,7 billion euros for mortgage loans.

Impaired financial assets (note 4.2.1 in the annual accounts 2017)

			31-12-2018			30/09/2018
(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances	**176 680**	**- 3 523**	**173 157**	**182 027**	**- 3 725**	**178 301**
Stage 1 (12-month ECL)	153 081	- 113	152 969	158 926	- 113	158 813
Stage 2 (lifetime ECL)	16 983	- 305	16 678	16 138	- 313	15 825
Stage 3 (lifetime ECL)	6 461	- 3 062	3 399	6 807	- 3 252	3 554
Purchased or originated credit impaired assets (POCI)	154	- 42	112	155	- 47	109
Debt Securities	**41 660**	**- 11**	**41 649**	**41 356**	**- 11**	**41 345**
Stage 1 (12-month ECL)	41 409	- 5	41 405	41 120	- 4	41 115
Stage 2 (lifetime ECL)	244	- 1	243	229	- 1	228
Stage 3 (lifetime ECL)	7	- 6	2	7	- 6	2
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	**18 026**	**- 6**	**18 020**	**18 027**	**- 6**	**18 021**
Stage 1 (12-month ECL)	17 585	- 4	17 581	17 786	- 4	17 782
Stage 2 (lifetime ECL)	441	- 2	439	240	- 2	238
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2017)

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 2017.

Fair value hierarchy	31-12-2018 (IFRS 9)				31-12-2017 (IAS 39)			
(in millions of EUR)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	14 645	423	156	15 224	-	-	-	-
Held for trading	1 018	4 412	996	6 426	1 122	4 402	1 907	7 431
Designated upon initial recognition at fair value through profit or loss (FVO)	0	13	0	13	13 949	525	10	14 484
At fair value through OCI	13 772	4 066	441	18 279	-	-	-	-
Available for sale	-	-	-	-	26 374	6 812	970	34 156
Hedging derivatives	0	183	0	183	0	245	0	245
Total	29 435	9 096	1 593	40 124	41 445	11 984	2 887	56 316
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	831	3 457	1 545	5 834	909	3 872	2 218	6 998
Designated at fair value	12 931	856	1 223	15 010	13 544	904	585	15 034
Hedging derivatives	0	1 111	0	1 111	0	1 284	0	1 284
Total	13 763	5 424	2 768	21 955	14 453	6 060	2 803	23 316

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2017)

During 2018, a total amount of 740 million euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred 628 million euros in financial instruments from level 2 to level 1. The majority of the transfers is due to changed liquidity of government and corporate bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2017)

The first time application impact of the implementation of IFRS 9 resulted in an increase of 46 million euros of financial assets and liabilities measured at fair value in level 3: the largest changes are:

- 99 million euro of bonds was shifted out of AFS to amortised cost (the remainder is included in Fair value through other comprehensive income)
- 35 million euro of unquoted equity was shifted out of AFS to mandatorily at fair value other than held for trading (overlay approach) (the remainder is included in Fair value through other comprehensive income)
- 145 million euro of bonds and loans were shifted from Loans and receivables to mandatorily at fair value other than held for trading because of SPPI failure (Solely Payment of Principal and Interest).

In 2018 the following material movements are observed with respect to instruments classified in level 3 of the fair value level hierarchy:

- In the assets held for trading category, the fair value of derivatives decreased by 859 million euros, which is mainly due to maturing deals and fair value movements, slightly compensated by new positions. Debt securities decreased by 52 million euros, mainly due to sales of positions.
- In the fair value OCI category the fair value decreased by 371 million euros, which is mainly due to a decrease in debt securities
    - The fair value of debt securities in FVOCI decreased by 369 million euro, largely due to a transfer out of level 3 (net amount of 329 million euros). The majority of the transfers is due to changed liquidity of bonds. This decrease is enhanced by mainly maturing deals, sales and fair value movements (-63 million) and partially offset by purchases (+29 million).
    - The fair value of equity instruments in FVOCI decreased by 26 million euros
- In the liabilities held for trading category, the fair value decreased by 673 million euro, which is a combination of a decrease in derivatives and an increase in debt securities issued.
    - The fair value of derivatives decreased by 849 million euro, which is mainly due to maturing deals and fair value movements, partly compensated by new positions.
    - The fair value of debt securities issued increased by 176 million euro mainly due to transfers into level 3.
- In the liabilities designated at fair value category, the fair value debt securities issued increased by 638 million euros, mainly due to new issues and transfers into level 3 for a large part compensated by maturing deals.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2017)

In number of shares	31-12-2018 IFRS 9	31-12-2017 IAS 39
Ordinary shares	**416 155 676**	**418 597 567**
of which ordinary shares that entitle the holder to a dividend payment	*416 155 676*	*418 597 567*
of which treasury shares	*50 284*	*64 847*
Additional information		
Par value per share (in EUR)	3,51	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).

On April 17, 2018 KBC Group NV placed 1 billion euros in Additional Tier-1 (AT1) instruments. This AT1 instrument is a 7.5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.25% per annum, payable semi-annual. Since they are classified as equity instruments under IAS 32 (because interest payments are discretionary and the securities are perpetual), the annualized coupon of 4.25% – which is paid semi-annually – is treated as a dividend. This transaction had no impact on the number of ordinary shares.

The AT1 Securities have been issued in view of any potential future call of the existing 1.4 billion euros AT1 Securities issued in 2014, which KBC has the right to redeem in accordance with their terms in March 2019. The issue of the Securities enables KBC to maintain an optimal capital structure and continue to support our already excellent solvency ratios.

By virtue of the authorisation granted by the Extraordinary General Meeting of 3 May 2018, the Board of Directors of KBC Group NV decided on 8 August 2018 to cancel 2 700 000 own shares that had been repurchased under the share buyback programme completed on 3 July 2018.
As a result, the total number of shares carrying voting rights and the total number of voting rights with respect to KBC Group NV has fallen from 418 597 567 to 415 897 567.
In December 2018 the number of KBC Group NV shares went up by 258 109 to 416 155 676 (in December 2017 by 225 485 to 418 597 567), due to new shares being issued following the yearly capital increases reserved for staff.

The treasury shares at YE 2017 and YE 2018 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 2017)

In 2018:
Legal merger between UBB and CIBANK (no consolidated impact).

Acquisition of MetLife's 40% stake in UBB-MetLife Life Insurance Company AD, a life insurance joint venture between United Bulgarian Bank ("UBB") and MetLife ("UBB-MetLife"). Its financial impact is immaterial for KBC. Change of consolidation method from equity method to full consolidation.

In 2017:
The acquisition of 99,91% of the shares of the United Bulgarian Bank AD and 100% of Interlease EAD in Bulgaria (balance sheet consolidated at 30 June 2017; income statement consolidated as of 1 July 2017).

Post-balance sheet events (note 6.8 in the annual accounts 2017)

Significant non-adjusting events between the balance sheet date (31 December 2018) and the publication of this report (14 February 2019):

- On 19 March 2019, KBC will call the Additional Tier-1 (AT1) instrument (ISIN:BE0002463389) it issued in 2014. The European Central Bank (ECB) has granted KBC permission to call this instrument, which has a nominal value of 1.4 billion euros, and at the same time to call the subordinated inter-company loan of the same amount that KBC Group NV granted to KBC Bank NV. As a consequence, the 1.4 billion euros involved have been excluded from the solvency figures at year-end 2018.

KBC Group

Additional Information 4Q 2018 and FY 2018

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit, 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 2017)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-12-2018	31-12-2017
Portfolio outstanding + undrawn [1]	205	191
Portfolio outstanding [1]	165	154
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	66%	63%
Czech Republic	16%	16%
International Markets	16%	18%
Group Centre	2%	3%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	39.9%	42.1%
Finance and insurance	7.4%	5.2%
Authorities	3.5%	2.8%
Corporates	49.2%	49.8%
services	11.2%	11.6%
distribution	7.5%	7.6%
real estate	6.6%	7.0%
building & construction	4.1%	4.2%
agriculture, farming, fishing	2.7%	2.8%
automotive	2.5%	2.3%
food producers	1.7%	1.5%
electricity	1.6%	1.7%
metals	1.6%	1.4%
chemicals	1.3%	1.2%
machinery & heavy equipment	1.1%	1.1%
shipping	0.9%	1.2%
traders	0.9%	1.0%
hotels, bars & restaurants	0.7%	0.8%
textile & apparel	0.6%	0.5%
oil, gas & other fuels	0.6%	0.7%
electrotechnics	0.6%	0.6%
other [2]	3.0%	2.6%
Total outstanding loan portfolio geographical breakdown		
Home countries	86.6%	88.5%
Belgium	55.0%	55.5%
Czech Republic	15.0%	14.8%
Ireland	6.5%	7.8%
Slovakia	5.0%	4.9%
Hungary	3.2%	3.3%
Bulgaria	2.0%	2.1%
Rest of Western Europe	7.9%	7.4%
France	2.0%	1.9%
Netherlands	1.7%	1.6%
Great Britain	1.1%	1.1%
Spain	0.5%	0.5%
Luxemburg	0.7%	0.6%
Germany	0.7%	0.6%
other	1.3%	1.1%
Rest of Central Europe	0.5%	0.4%
Russia	0.1%	0.1%
other	0.4%	0.4%
North America	1.4%	1.4%
USA	1.1%	1.1%
Canada	0.3%	0.3%
Asia	1.6%	0.8%
China	0.9%	0.3%
Hong Kong	0.2%	0.2%
Singapore	0.2%	0.2%
other	0.3%	0.1%
Rest of the world	1.9%	1.4%

	31-12-2018	31-12-2017
Loan portfolio by IFRS-9 ECL [3] stage (part of portfolio, as % of the portfolio of credit outstanding)		
Stage 1 (credit risk has not increased significantly since initial recognition)	84%	
of which: PD 1 - 4	63%	
of which: PD 5 - 9 including unrated	21%	
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [4]	12%	
of which: PD 1 - 4	4%	
of which: PD 5 - 9 including unrated	8%	
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [4]	4%	
of which: PD 10 – 12 (impaired loans)	4%	
Impaired loans (in millions of EUR or %)		
Amount outstanding	7 155	9 186
of which: more than 90 days past due	4 099	5 242
Ratio of impaired loans, per business unit		
Belgium	2.6%	2.8%
Czech Republic	2.4%	2.4%
International Markets	12.2%	19.7%
Group Centre	12.0%	9.8%
Total	4.3%	6.0%
of which: more than 90 days past due	2.5%	3.4%
Stage 3 loan loss impairments (in millions of EUR) and Cover ratio (%)		
Stage 3 loan loss impairments	3 203	4 039
of which: more than 90 days past due	2 695	3 361
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	45%	44%
of which: more than 90 days past due	66%	64%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	49%	54%
of which: more than 90 days past due	74%	73%
Credit cost, by business unit (%)		
Belgium	0.09%	0.09%
Czech Republic	0.03%	0.02%
International Markets	-0.46%	-0.74%
Slovakia	0.06%	0.16%
Hungary	-0.18%	-0.22%
Bulgaria	-0.31%	0.83%
Ireland	-0.96%	-1.70%
Group Centre	-0.83%	0.40%
Total	-0.04%	-0.06%

[1] Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; 31-12-2018 amounts are measured in Gross Carrying Amounts; 31-12-2017 amounts are measured in the old definition of drawn principal (i.e. excluding reserved and accrued interests)
[2] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors
[3] Under IFRS 9 financial instruments that are subject to impairment are 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; More information on these IFRS 9 stages can be found under Notes on statement of compliance and changes in accounting policies
[4] Purchased or originated credit impaired assets

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2017 - 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. Since 1Q18 a switch has been made in the reported 'outstanding' figures from drawn principal to the new IFRS 9 definition of gross carrying amount (GCA), i.e. including reserved and accrued interests. The additional inclusion of reserved interests led, among others, to an increase in the reported amount of impaired loans. Furthermore, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).
In the table below the 31-12-2017 loan portfolio is restated to the extended scope:

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31/12/2017 restated	31/12/2017
Total loan portfolio, by business unit	162	154
Belgium	104	98
Czech Republic	25	24
International Markets	28	28
Group Centre	4	4

(*) restated ratios available in the section 'Details of ratios and terms on KBC Group level'

Loan portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium
31-12-2018, in millions of EUR

	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**100 894**			**7 586**			**108 479**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	34 986	34,7%		7 586	100,0%		42 572	39,2%	
retail	65 907	65,3%		0	0,0%		65 907	60,8%	
o/w private	35 586	35,3%		0	0,0%		35 586	32,8%	
o/w companies	30 321	30,1%		0	0,0%		30 321	28,0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	33 910	33,6%	57%	0	0,0%	-	33 910	31,3%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	829	0,8%	-	0	0,0%	-	829	0,8%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	76 593	75,9%		4 870	64,2%		81 463	75,1%	
medium risk (PD 5-7; 0.80%-6.40%)	18 597	18,4%		2 359	31,1%		20 956	19,3%	
high risk (PD 8-9; 6.40%-100.00%)	2 936	2,9%		145	1,9%		3 081	2,8%	
impaired loans (PD 10 - 12)	2 575	2,6%		209	2,7%		2 784	2,6%	
unrated	191	0,2%		4	0,1%		196	0,2%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 575	1 019	39,6%	209	138	66,1%	2 784	1 157	41,6%
o/w PD 10 impaired loans	1 365	237	17,3%	136	74	54,3%	1 501	310	20,7%
o/w more than 90 days past due (PD 11+12)	1 210	782	64,7%	73	64	88,2%	1 283	847	66,0%
all impairments (stage 1+2+3)	n.a.			n.a.			1 352		
o/w stage 1+2 impairments (incl. POCI)	n.a.			n.a.			195		
o/w stage 3 impairments (incl. POCI)	1 019			138			1 157		
2017 Credit cost ratio (CCR)	0,08%			0,19%			0,09%		
2018 Credit cost ratio (CCR)	0,10%			-0,05%			0,09%		

Remarks

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

Loan portfolio Business Unit Czech Republic

31-12-2018, in millions of EUR				For information: ČMSS [2] *(consolidated via equity-method)*		
Total portfolio outstanding	**25 718**			**2 493**		
Counterparty break down		% outst.			% outst.	
SME / corporate	8 005	31,1%		0	0,0%	
retail	17 714	68,9%		2 493	100,0%	
o/w private	12 963	50,4%		2 482	99,5%	
o/w companies	4 750	18,5%		12	0,5%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV
total	11 691	45,5%	62%	1 957	78,5%	60%
o/w FX mortgages	0	0,0%	-	0	0,0%	-
o/w ind. LTV > 100%	246	1,0%	-	41	1,6%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	16 583	64,5%		1 676	67,2%	
medium risk (PD 5-7; 0.80%-6.40%)	7 587	29,5%		592	23,8%	
high risk (PD 8-9; 6.40%-100.00%)	909	3,5%		114	4,6%	
impaired loans (PD 10 - 12)	628	2,4%		111	4,5%	
unrated	12	0,0%		0	0,0%	
Overall risk indicators 1		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	628	295	47,0%	111	47	41,9%
o/w PD 10 impaired loans	284	62	21,8%	20	3	15,4%
o/w more than 90 days past due (PD 11+12)	344	233	67,9%	91	44	47,8%
all impairments (stage 1+2+3)	378			55		
o/w stage 1+2 impairments (incl. POCI)	82			8		
o/w stage 3 impairments (incl. POCI)	295			47		
2017 Credit cost ratio (CCR)	0,02%			0,16%		
2018 Credit cost ratio (CCR)	0,03%			0,15%		

Remarks

[1] CCR at country level in local currency

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

Loan portfolio Business Unit International Markets
31-12-2018, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 612**			**7 833**			**5 151**			**3 237**			**26 833**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	342	3,2%		3 011	38,4%		3 155	61,2%		977	30,2%		7 485	27,9%	
retail	10 270	96,8%		4 822	61,6%		1 996	38,8%		2 259	69,8%		19 348	72,1%	
o/w private	10 257	96,7%		3 907	49,9%		1 826	35,4%		1 274	39,3%		17 264	64,3%	
o/w companies	12	0,1%		915	11,7%		171	3,3%		986	30,5%		2 084	7,8%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	10 199	96,1%	68%	3 404	43,5%	65%	1 632	31,7%	66%	671	20,7%	70%	15 906	59,3%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	8	0,2%	126%	103	3,2%	72%	111	0,4%	
o/w ind. LTV > 100%	959	9,0%	-	28	0,4%	-	151	2,9%	-	43	1,3%	-	1 181	4,4%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	936	8,8%		4 628	59,1%		2 586	50,2%		878	27,1%		9 027	33,6%	
medium risk (PD 5-7; 0.80%-6.40%)	6 177	58,2%		2 520	32,2%		2 156	41,9%		1 562	48,3%		12 416	46,3%	
high risk (PD 8-9; 6.40%-100.00%)	1 055	9,9%		509	6,5%		212	4,1%		299	9,2%		2 075	7,7%	
impaired loans (PD 10 - 12)	2 444	23,0%		157	2,0%		196	3,8%		486	15,0%		3 282	12,2%	
unrated	0	0,0%		19	0,2%		1	0,0%		13	0,4%		33	0,1%	
Overall risk indicators [2]		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 444	951	38,9%	157	115	73,3%	196	109	55,6%	486	220	45,3%	3 282	1 395	42,5%
o/w PD 10 impaired loans	1 032	94	9,1%	24	12	47,7%	34	11	32,8%	77	2	2,2%	1 168	119	10,2%
o/w more than 90 days past due (PD 11+12)	1 412	857	60,7%	132	103	78,0%	161	98	60,5%	408	218	53,4%	2 114	1 276	60,4%
all impairments (stage 1+2+3)	993			163			131			246			1 533		
o/w stage 1+2 impairments (incl. POCI)	41			48			23			26			138		
o/w stage 3 impairments (incl. POCI)	951			115			109			220			1 395		
2017 Credit cost ratio (CCR)	-1,70%			0,16%			-0,22%			0,83%			-0,74%		
2018 Credit cost ratio (CCR)	-0,96%			0,06%			-0,18%			-0,31%			-0,46%		

Remarks

[1] Mortgage loans: including consumer loans secured by a mortgage (as opposed to the accounting figures at year-end 2018)

[2] CCR at country level in local currency

Loan portfolio Group Centre
31-12-2018, in millions of EUR

	Total Group Centre [1]		
Total portfolio outstanding	**3 794**		
Counterparty break down		% outst.	
SME / corporate	3 794	100,0%	
retail	0	0,0%	
o/w private	0	0,0%	
o/w companies	0	0,0%	
Mortgage loans		% outst.	ind. LTV
total	0	0,0%	-
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	0	0,0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 952	77,8%	
medium risk (PD 5-7; 0.80%-6.40%)	328	8,6%	
high risk (PD 8-9; 6.40%-100.00%)	58	1,5%	
impaired loans (PD 10 - 12)	457	12,0%	
unrated	0	0,0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	457	356	77,8%
o/w PD 10 impaired loans	98	17	17,2%
o/w more than 90 days past due (PD 11+12)	359	339	94,4%
all impairments (stage 1+2+3)	391		
o/w stage 1+2 impairments (incl. POCI)	35		
o/w stage 3 impairments (incl. POCI)	356		
2017 Credit cost ratio (CCR)	0,40%		
2018 Credit cost ratio (CCR)	-0,83%		

Remarks

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

Solvency

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

Solvency KBC Group

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 92% of the weighted credit risks, of which approx. 87% according to Advanced and approx. 5% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The minimum CET1 requirement that KBC is to uphold is set at 10.6% (fully loaded, Danish Compromise) which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% Systemic Buffer and 0.35% Countercycle Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

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

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

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

31/12/2018		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	15 150	94 875	15,97%
Deduction Method	Fully loaded	14 199	89 537	15,86%
Financial Conglomerates Directive	Fully loaded	15 885	106 380	14,93%

Danish Compromise

In millions of EUR	31-12-2018 Fully loaded	31-12-2017 Fully loaded	Pro forma (**) 31-12-2017 Fully loaded
Total regulatory capital (after profit appropriation)	18 217	18 706	18 348
Tier-1 capital	16 150	16 504	16 099
Common equity	15 150	15 104	14 699
Parent shareholders' equity (after deconsolidating KBC Insurance)	16 992	16 841	16 244
Intangible fixed assets (incl deferred tax impact) (-)	- 584	- 475	- 475
Goodwill on consolidation (incl deferred tax impact) (-)	- 602	- 604	- 604
Minority interests	0	0	
Hedging reserve (cash flow hedges) (-)	1 263	1 339	1 339
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 14	- 1	- 1
Value adjustment due to the requirements for prudent valuation (-)	- 63	- 124	- 77
Dividend payout (-)	- 1 040	- 837	- 837
Share buyback (part not yet executed) (-)	0		
Renumeration of AT1 instruments (-)	- 7	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 91	- 91	- 91
Deduction re. Irrevocable payment commitments (-)	- 32		
IRB provision shortfall (-)	- 100	- 268	- 84
Deferred tax assets on losses carried forward (-)	- 571	- 672	- 712
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	
Additional going concern capital	1 000	1 400	1 400
Grandfathered innovative hybrid tier-1 instruments	0	0	0
CRR compliant AT1 instruments (***)	1 000	1 400	1 400
Minority interests to be included in additional going concern capital	0	0	0
Tier 2 capital	2 067	2 202	2 249
IRB provision excess (+)	204	316	363
Subordinated liabilities	1 864	1 886	1 886
Subordinated loans non-consolidated financial sector entities (-)	0	0	0
Minority interests to be included in tier 2 capital	0	0	0
Total weighted risk volume	94 875	92 410	92 276
Banking	85 474	83 117	
Insurance	9 133	9 133	
Holding activities	302	202	
Elimination of intercompany transactions	- 34	- 43	
Solvency ratios			
Common equity ratio	15,97%	16,34%	15,93%
Tier-1 ratio	17,02%	17,86%	17,45%
Total capital ratio (*)	19,20%	20,24%	19,88%

(*) We have called the USD contingent convertible note (CoCo) the 25th of January 2018. The capital value of the CoCo has already been excluded from Tier-2 at year-end 2017.
(**) Including first time application of IFRS 9
(***) On April 17, 2018 KBC Group NV placed 1 billion euros in Additional Tier-1 (AT1) instruments. On 19 March 2019, KBC will call the Additional Tier-1 (AT1) instrument (ISIN:BE0002463389) it issued in 2014. The European Central Bank (ECB) has granted KBC permission to call this instrument, which has a nominal value of 1.4 billion euros, and at the same time to call the subordinated inter-company loan of the same amount that KBC Group NV granted to KBC Bank NV. As a consequence, the 1.4 billion euros involved have been excluded from the solvency figures at year-end 2018.

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	31-12-2018	31-12-2017
Tier-1 capital (Danish compromise)	16 150	16 504
Total exposures	266 594	272 373
Total Assets	283 808	292 342
Deconsolidation KBC Insurance	-31 375	-32 802
Adjustment for derivatives	-3 105	-3 908
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 043	-2 235
Adjustment for securities financing transaction exposures	408	816
Off-balance sheet exposures	18 900	18 160
Leverage ratio	6,06%	6,06%

Solvency banking and insurance activities separately

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

KBC Bank consolidated - CRDIV/CRR In millions of EUR	31/12/2018 Fully loaded	31-12-2017 Fully loaded
Total regulatory capital, after profit appropriation	15 749	15 756
Tier-1 capital (**)	13 625	13 484
Of which common equity	12 618	12 077
Tier-2 capital	2 124	2 273
Total weighted risks	85 474	83 117
Credit risk	71 224	68 842
Market risk	3 198	3 361
Operational risk	11 051	10 913
Solvency ratios		
Common equity ratio	14,8%	14,5%
Tier-1 ratio	15,9%	16,2%
CAD ratio (*)	18,4%	19,0%

(*) We have called the USD contingent convertible note (CoCo) the 25th of January 2018. The capital value of the coco has been excluded from Tier-2 at year-end 2017.
(**) On April 17, 2018 KBC Group NV placed 1 billion euros in Additional Tier-1 (AT1) instruments. On 19 March 2019, KBC will call the Additional Tier-1 (AT1) instrument (ISIN:BE0002463389) it issued in 2014. The European Central Bank (ECB) has granted KBC permission to call this instrument, which has a nominal value of 1.4 billion euros, and at the same time to call the subordinated inter-company loan of the same amount that KBC Group NV granted to KBC Bank NV. As a consequence, the 1.4 billion euros involved have been excluded from the solvency figures at year-end 2018.

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-12-2018	31-12-2017
Own Funds	3 590	3 865
Tier 1	3 090	3 365
IFRS Parent shareholders equity	2 728	3 051
Dividend payout	- 132	- 8
Deduction intangible assets and goodwill (after tax)	- 124	- 128
Valuation differences (after tax)	341	403
Volatility adjustment	313	43
Other	- 35	3
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 651	1 823
Market risk	1 379	1 602
Non-life	557	535
Life	666	630
Health	190	178
Counterparty	111	107
Diversification	- 922	- 905
Other	- 331	- 324
Solvency II ratio	217%	212%
Solvency surplus vs 100%	1 939	2 042

Minimum requirement for own funds and eligible liabilities (MREL)

Besides the ECB and NBB, which supervise KBC on a going concern basis, KBC is also subject to requirements set by the Single Resolution Board (SRB). The SRB is developing resolution plans for the major banks in the euro area. The resolution plan for KBC is based on a Single Point of Entry (SPE) approach at the level of KBC Group with 'bail-in' as the primary resolution tool.
MREL measures the amount of own funds and eligible liabilities that can be credibly and feasibly bailed-in. At 31-12-2018, the MREL ratio based on instruments issued by KBC Group NV ('HoldCo MREL') stood at 25.0% of risk weighted assets.
Based on the broader SRB definition including also eligible OpCo instruments, the MREL ratio amounts to 26.0% as % of RWA (10.1% as % of TLOF). SRB requires KBC to achieve 9.76% as % of TLOF (which is equivalent to 25.9% as % of RWA) by 01-05-2019 using both HoldCo and eligible OpCo instruments.

Income statement, volumes and ratio's per business unit

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

Business Unit Belgium (in millions of EUR)	**IFRS 9 FY 2018**	**IFRS 9 4Q 2018**	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 FY2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	2 576	647	637	642	649	2 394	569
Non-life insurance before reinsurance	527	142	139	144	103	526	100
Earned premiums Non-life	1 070	275	271	265	259	1 043	265
Technical charges Non-life	-543	-133	-133	-121	-156	-516	-165
Life insurance before reinsurance	-110	-29	-32	-22	-27	-132	-24
Earned premiums Life	998	309	204	234	251	927	292
Technical charges Life	-1 108	-338	-235	-257	-278	-1 059	-316
Ceded reinsurance result	-26	-11	-3	-8	-4	-15	-9
Dividend income	74	12	11	29	21	52	7
Net result from financial instruments at fair value through profit or loss	101	-40	53	54	34	539	150
Net realised result from available-for-sale assets						123	34
Net realised result from debt instr FV through OCI	0	0	0	0	0		
Net fee and commission income	1 182	273	289	302	318	1 290	313
Net other income	225	73	44	49	59	174	38
TOTAL INCOME	4 549	1 068	1 139	1 189	1 153	4 953	1 178
Operating expenses	-2 484	-541	-559	-562	-822	-2 452	-566
Impairment	-93	-49	-4	-26	-13	-116	-24
On loans and receivables						-87	-12
On financial assets at amortised cost and at FV through OCI	-91	-48	-3	-26	-13		
On available-for-sale assets						-11	-3
On other	-2	-1	-1	0	0	-18	-9
Share in results of associated companies and joint ventures	-8	-1	-3	-4	-1	-13	-9
RESULT BEFORE TAX	1 963	478	573	597	316	2 372	579
Income tax expense	-513	-117	-164	-159	-73	-797	-243
RESULT AFTER TAX	1 450	361	409	437	243	1 575	335
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	1 450	361	409	437	243	1 575	336
Banking	1 071	279	325	302	165	1 200	271
Insurance	379	82	84	135	78	375	65
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	99 650	99 650	98 978	98 258	95 710	94 495	94 495
of which Mortgage loans (end of period)	35 049	35 049	34 775	34 627	34 548	34 468	34 468
Customer deposits and debt certificates excl. repos (end of period)	131 442	131 442	131 862	131 013	126 694	132 881	132 881
Technial provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	13 176	13 176	13 336	13 382	13 496	13 649	13 649
Unit-Linked (end of period)	12 774	12 774	13 272	13 269	13 160	13 370	13 370
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	48 120	48 120	47 207	46 848	46 553	44 611	44 611
Required capital, insurance (end of period)	1 421	1 421	1 567	1 560	1 570	1 627	1 627
Allocated capital (end of period)	6 522	6 522	6 571	6 526	6 505	6 267	6 267
Return on allocated capital (ROAC)	22%	22%	25%	27%	15%	26%	22%
Cost/income ratio, banking	58%	53%	51%	51%	76%	52%	49%
Combined ratio, non-life insurance	87%	86%	86%	83%	93%	86%	104%
Net interest margin, banking	1,72%	1,72%	1,69%	1,72%	1,73%	1,57%	1,48%

Note: from 1Q 2018 the definition of NIM has been updated, it concerns banking group NII excluding dealing room and the net positive impact of ALM FX swaps & repos. The pro-forma FY 2017 NIM of business unit Belgium is 1,75% and 4Q 2017 is 1,73%.

Business Unit Czech Republic (in millions of EUR)	**IFRS 9 FY 2018**	**IFRS 9 4Q 2018**	IFRS 9 3Q 2018	IFRS 9 2Q 2018	iFRS 9 1Q 2018	IAS 39 FY 2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	1 043	291	263	241	248	888	234
Non-life insurance before reinsurance	103	26	27	24	27	86	21
Earned premiums Non-life	248	64	65	62	57	216	59
Technical charges Non-life	-145	-38	-38	-38	-30	-130	-38
Life insurance before reinsurance	58	14	14	15	15	48	14
Earned premiums Life	260	79	63	58	60	260	96
Technical charges Life	-202	-64	-49	-43	-46	-212	-83
Ceded reinsurance result	-8	-3	0	-2	-3	-4	2
Dividend income	1	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	72	4	20	8	40	222	54
Net realised result from available-for-sale assets						17	0
Net realised result from debt instr FV through OCI	0	0	0	0	0		
Net fee and commission income	257	64	62	64	67	192	53
Net other income	14	4	3	3	4	40	4
TOTAL INCOME	1 540	400	388	353	398	1 490	383
Operating expenses	-729	-187	-180	-173	-189	-646	-177
Impairment	-42	-10	-16	-9	-7	-24	-11
On loans and receivables						-5	2
On financial assets at amortised cost and at FV through OCI	-8	0	-12	4	-1		
On available-for-sale assets						-1	-1
On other	-34	-10	-4	-13	-6	-18	-12
Share in results of associated companies and joint ventures	19	3	4	6	6	21	5
RESULT BEFORE TAX	788	207	196	177	207	842	200
Income tax expense	-134	-37	-29	-33	-36	-140	-33
RESULT AFTER TAX	654	170	168	145	171	702	167
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	654	170	168	145	171	702	167
Banking	619	164	157	137	160	669	157
Insurance	35	6	10	7	12	33	10
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	23 387	23 387	23 305	22 751	22 656	22 303	22 303
of which Mortgage loans (end of period)	11 317	11 317	11 128	10 784	10 837	10 653	10 653
Customer deposits and debt certificates excl. repos (end of period)	32 394	32 394	32 063	30 868	30 552	30 246	30 246
Technial provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	613	613	611	603	617	613	613
Unit-Linked (end of period)	660	660	641	623	623	622	622
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	14 457	14 457	15 023	14 717	14 683	15 397	15 397
Required capital, insurance (end of period)	115	115	129	122	127	114	114
Allocated capital (end of period)	1 647	1 647	1 721	1 682	1 683	1 716	1 716
Return on allocated capital (ROAC)	39%	40%	39%	34%	40%	40%	40%
Cost/income ratio, banking	47%	45%	46%	48%	47%	45%	45%
Combined ratio, non-life insurance	97%	101%	96%	99%	92%	96%	96%
Net interest margin, banking	3,07%	3,25%	3,04%	2,97%	3,02%	3,06%	3,06%

Note: from 1Q 2018 the definition of NIM has been updated, it concerns banking group NII excluding dealing room and the net positive impact of ALM FX swaps & repos. The pro-forma FY 2017 NIM of business unit Czech Republic is 2,91% and 4Q 2017 is 2,95%.

Business Unit International Markets (in millions of EUR)	**IFRS 9 FY 2018**	**IFRS 9 4Q 2018**	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 FY2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	896	222	226	222	226	837	228
Non-life insurance before reinsurance	117	29	31	31	26	83	27
Earned premiums Non-life	254	68	66	62	58	224	57
Technical charges Non-life	-137	-39	-35	-31	-32	-141	-31
Life insurance before reinsurance	34	12	7	9	6	25	7
Earned premiums Life	101	27	25	24	25	85	23
Technical charges Life	-67	-15	-18	-15	-19	-60	-16
Ceded reinsurance result	-11	-2	-2	-5	-2	9	-2
Dividend income	0	0	0	0	0	1	0
Net result from financial instruments at fair value through profit or loss	74	8	24	24	18	95	23
Net realised result from available-for-sale assets						3	0
Net realised result from debt instr FV through OCI	0	0	-1	0	1		
Net fee and commission income	284	69	74	73	68	232	65
Net other income	17	-1	2	8	8	-112	-60
TOTAL INCOME	1 412	338	361	364	350	1 173	288
Operating expenses	-909	-233	-214	-209	-252	-837	-236
Impairment	118	6	18	33	61	190	39
On loans and receivables						197	45
On financial assets at amortised cost and at FV through OCI	127	8	19	39	61		
On available-for-sale assets						-1	0
On other	-9	-2	-2	-6	0	-7	-5
Share in results of associated companies and joint ventures	5	1	1	1	2	4	0
RESULT BEFORE TAX	626	111	165	189	160	529	91
Income tax expense	-93	-19	-24	-26	-24	-85	-17
RESULT AFTER TAX	533	93	141	163	137	444	74
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	533	93	**141**	**163**	**137**	**444**	**74**
Banking	496	86	130	153	127	415	68
Insurance	37	7	11	10	9	29	6
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	24 015	24 015	23 728	24 336	24 146	24 201	24 201
of which Mortgage loans (end of period)	14 471	14 471	15 052	15 616	15 559	15 503	15 503
Customer deposits and debt certificates excl. repos (end of period)	22 897	22 897	22 408	22 693	22 957	22 663	22 663
Technial provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	257	257	255	247	248	212	212
Unit-Linked (end of period)	403	403	407	402	423	429	429
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	20 536	20 536	19 893	19 402	19 506	19 790	19 790
Required capital, insurance (end of period)	108	108	101	98	100	104	104
Allocated capital (end of period)	2 285	2 285	2 210	2 155	2 167	2 162	2 162
Return on allocated capital (ROAC)	24%	17%	26%	30%	25%	18%	14%
Cost/income ratio, banking	65%	69%	60%	58%	73%	72%	83%
Combined ratio, non-life insurance	90%	95%	89%	90%	86%	93%	94%
Net interest margin, banking	2,80%	2,74%	2,79%	2,81%	2,88%	2,77%	2,84%

Hungary (in millions of EUR)	IFRS 9 FY 2018	IFRS 9 4Q 2018	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 FY 2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	243	62	60	60	61	244	63
Non-life insurance before reinsurance	42	11	10	10	11	35	8
Earned premiums Non-life	109	28	28	27	26	100	26
Technical charges Non-life	-67	-17	-17	-17	-15	-64	-17
Life insurance before reinsurance	10	4	2	3	1	7	2
Earned premiums Life	17	4	4	4	4	16	4
Technical charges Life	-6	0	-2	-1	-3	-9	-2
Ceded reinsurance result	-3	-1	-1	-1	-1	-1	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	60	11	16	20	14	62	15
Net realised result from available-for-sale assets						2	0
Net realised result from debt instr FV through OCI	-1	0	-1	0	0		
Net fee and commission income	197	50	50	51	46	161	43
Net other income	15	1	1	6	7	3	3
TOTAL INCOME	565	138	138	150	139	514	134
Operating expenses	-345	-83	-80	-80	-103	-346	-86
Impairment	9	1	0	2	6	8	-1
On loans and receivables						11	1
On financial assets at amortised cost and at FV through OCI	9	1	1	2	6		
On available-for-sale assets						0	0
On other	-1	0	-1	0	0	-3	-2
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	228	57	59	71	41	176	47
Income tax expense	-32	-8	-8	-10	-7	-29	-7
RESULT AFTER TAX	196	49	51	62	34	146	39
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	196	49	**51**	**62**	**34**	**146**	**39**
Banking	182	45	48	58	31	137	37
Insurance	14	4	3	4	3	9	3
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	4 373	4 373	4 287	4 112	4 173	4 217	4 217
of which Mortgage loans (end of period) (*)	1 260	1 260	1 531	1 481	1 543	1 556	1 556
Customer deposits and debt certificates excl. repos (end of period)	7 503	7 503	7 019	6 972	7 053	7 302	7 302
Technial provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	55	55	53	54	56	55	55
Unit-Linked (end of period)	277	277	278	269	289	298	298
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 693	6 693	6 219	5 938	6 103	5 799	5 799
Required capital, insurance (end of period)	41	41	39	35	36	37	37
Allocated capital (end of period)	751	751	699	665	683	640	640
Return on allocated capital (ROAC)	28%	29%	31%	37%	21%	24%	26%
Cost/income ratio, banking	62%	60%	57%	53%	76%	68%	64%
Combined ratio, non-life insurance	90%	92%	95%	93%	84%	94%	101%

(*) Reclassification in 4th quarter 2018 of 0.3 billion euros from mortgage loans to consumer loans

Slovakia (in millions of EUR)	IFRS 9 FY 2018	IFRS 9 4Q 2018	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 FY 2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	211	53	54	52	52	211	53
Non-life insurance before reinsurance	25	7	6	6	6	25	7
Earned premiums Non-life	41	11	11	10	10	36	10
Technical charges Non-life	-16	-4	-4	-3	-4	-12	-3
Life insurance before reinsurance	13	4	3	3	3	12	3
Earned premiums Life	53	13	13	13	14	49	13
Technical charges Life	-40	-9	-10	-10	-11	-36	-10
Ceded reinsurance result	-2	-1	-1	-1	-1	-2	-1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	6	0	3	0	3	15	3
Net realised result from available-for-sale assets							0
Net realised result from debt instr FV through OCI	0	0	0	0	0	0	
Net fee and commission income	59	15	16	15	14	51	13
Net other income	4	-1	1	2	1	8	2
TOTAL INCOME	316	76	84	78	78	320	80
Operating expenses	-205	-54	-50	-50	-52	-204	-56
Impairment	-4	-5	1	-4	4	-13	-3
On loans and receivables						-11	-2
On financial assets at amortised cost and at FV through OCI	-4	-5	1	-4	4		
On available-for-sale assets						0	0
On other	0	0	0	0	0	-1	-1
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	107	18	35	24	29	103	21
Income tax expense	-25	-5	-8	-6	-6	-24	-5
RESULT AFTER TAX	82	13	27	19	23	79	16
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	82	13	27	19	23	79	16
Banking	73	12	24	16	21	69	14
Insurance	9	2	3	3	2	10	2
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	7 107	7 107	6 979	6 861	6 640	6 574	6 574
of which Mortgage loans (end of period)	3 248	3 248	3 193	3 123	3 021	2 943	2 943
Customer deposits and debt certificates excl. repos (end of period)	6 348	6 348	6 333	6 205	6 259	6 066	6 066
Technial provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	114	114	115	114	114	114	114
Unit-Linked (end of period)	104	104	107	116	121	124	124
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 056	5 056	5 048	4 922	4 911	4 908	4 908
Required capital, insurance (end of period)	23	23	24	25	27	26	26
Allocated capital (end of period)	559	559	559	546	548	537	537
Return on allocated capital (ROAC)	15%	10%	19%	14%	17%	15%	12%
Cost/income ratio, banking	65%	70%	60%	64%	67%	64%	70%
Combined ratio, non-life insurance	87%	92%	87%	82%	87%	82%	88%

Bulgaria (in millions of EUR)	**IFRS 9 FY 2018**	**IFRS 9 4Q 2018**	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 fY 2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	151	37	38	37	39	104	39
Non-life insurance before reinsurance	50	11	14	15	10	23	12
Earned premiums Non-life	104	29	27	25	23	88	22
Technical charges Non-life	-54	-18	-13	-11	-13	-65	-10
Life insurance before reinsurance	12	5	2	3	1	5	2
Earned premiums Life	32	11	8	7	6	20	6
Technical charges Life	-20	-6	-6	-4	-5	-15	-4
Ceded reinsurance result	-6	-1	-1	-4	-1	12	-1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	13	3	3	3	2	13	5
Net realised result from available-for-sale assets						1	0
Net realised result from debt instr FV through OCI	1	0	0	0	1		
Net fee and commission income	29	6	7	8	9	18	10
Net other income	-1	0	0	0	-1	-4	0
TOTAL INCOME	248	62	64	62	60	172	65
Operating expenses	-143	-35	-31	-31	-46	-96	-35
Impairment	1	-6	1	-3	9	-20	-9
On loans and receivables						-17	-7
On financial assets at amortised cost and at FV through OCI	10	-4	2	3	9		
On available-for-sale assets						-1	0
On other	-9	-2	-1	-6	0	-2	-2
Share in results of associated companies and joint ventures	1	0	0	0	1	0	-1
RESULT BEFORE TAX	107	21	34	29	23	56	21
Income tax expense	-11	-2	-3	-3	-2	-6	-2
RESULT AFTER TAX	96	19	31	26	21	50	19
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	96	19	**31**	**26**	**21**	**50**	**18**
Banking	86	18	26	23	18	44	17
Insurance	10	0	4	3	3	5	2
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	2 806	2 806	2 813	2 772	2 739	2 716	2 716
of which Mortgage loans (end of period)	642	642	1 094	1 102	1 113	1 100	1 100
Customer deposits and debt certificates excl. repos (end of period)	4 116	4 116	3 981	3 976	4 009	3 903	3 903
Technial provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	87	87	87	79	78	43	43
Unit-Linked (end of period)	22	22	22	17	13	7	7
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 991	2 991	3 081	3 045	2 990	2 933	2 933
Required capital, insurance (end of period)	44	44	38	38	37	41	41
Allocated capital (end of period)	361	361	365	361	354	347	347
Return on allocated capital (ROAC)	27%	21%	34%	29%	24%	21%	31%
Cost/income ratio, banking	57%	52%	48%	48%	80%	53%	52%
Combined ratio, non-life insurance	91%	99%	82%	88%	93%	96%	88%

Ireland (in millions of EUR)	IFRS 9 FY 2018	IFRS 9 4Q 2018	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 fY 2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	291	69	74	73	75	278	73
Non-life insurance before reinsurance	0	0	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0	0	0
Earned premiums Life	0	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-5	-6	1	1	-1	5	1
Net realised result from available-for-sale assets							0
Net realised result from debt instr FV through OCI	0	0	0	0	0	0	
Net fee and commission income	-1	-1	0	0	0	-1	0
Net other income	-1	-1	0	0	0	-116	-61
TOTAL INCOME	284	61	75	74	74	167	12
Operating expenses	-216	-62	-53	-49	-51	-188	-59
Impairment	111	15	15	38	43	215	52
On loans and receivables						215	52
On financial assets at amortised cost and at FV through OCI	112	15	15	39	43		
On available-for-sale assets						0	0
On other	0	0	0	-1	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	180	15	36	63	66	193	5
Income tax expense	-24	-4	-5	-8	-8	-26	-3
RESULT AFTER TAX	155	11	32	55	57	167	3
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	155	11	32	55	57	167	3
Banking	155	11	32	55	57	167	3
Insurance	0	0	0	0	0	0	0
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	9 729	9 729	9 649	10 592	10 595	10 694	10 694
of which Mortgage loans (end of period)	9 320	9 320	9 235	9 910	9 883	9 905	9 905
Customer deposits and debt certificates excl. repos (end of period)	4 930	4 930	5 074	5 540	5 636	5 392	5 392
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 793	5 793	5 539	5 491	5 496	6 144	6 144
Allocated capital (end of period)	614	614	587	582	583	639	639
Return on allocated capital (ROAC)	26%	7%	21%	36%	37%	25%	2%
Cost/income ratio, banking	76%	101%	71%	66%	69%	113%	495%

Group centre - Breakdown net result (in millions of EUR)	**IFRS 9 FY 2018**	**IFRS 9 4Q 2018**	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 FY 2017	IAS 39 4Q 2017
Operational costs of the Group activities	-77	-28	-18	-15	-17	-73	-25
Capital and treasury management	19	11	4	8	-4	-2	-5
Holding of participations	-10	-9	-4	3	1	-16	18
Results companies in rundown	58	15	10	10	23	91	-22
Other	-57	8	-10	-59	3	-147	-144
Total net result for the Group centre	-67	-3	-17	-53	5	-146	-179

Group Centre (in millions of EUR)	**IFRS 9 FY 2018**	**IFRS 9 4Q 2018**	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 FY 2017	IAS 39 4Q 2017
Breakdown P&L							
Net interest income	29	6	10	11	2	1	-2
Non-life insurance before reinsurance	12	2	1	4	5	11	4
Earned premiums Non-life	10	2	1	3	3	8	2
Technical charges Non-life	2	0	0	0	2	3	2
Life insurance before reinsurance	-1	-1	1	0	0	4	0
Earned premiums Life	0	0	0	-1	0	0	0
Technical charges Life	0	-1	0	0	0	1	1
Ceded reinsurance result	4	4	-1	1	0	1	-1
Dividend income	7	2	1	4	1	10	1
Net result from financial instruments at fair value through profit or loss	-17	29	-19	-31	4	-1	8
Net realised result from available-for-sale assets							16
Net realised result from debt instr FV through OCI	9	0	1	8	0	56	
Net fee and commission income	-3	0	-1	-1	-2	-6	-1
Net other income	-30	-1	8	-37	1	11	3
TOTAL INCOME	11	42	0	-43	11	84	29
Operating expenses	-112	-34	-28	-23	-27	-140	-43
Impairment	35	10	4	4	16	-20	-6
On loans and receivables						-18	-4
On financial assets at amortised cost and at FV through OCI	35	10	4	4	16		
On available-for-sale assets						0	0
On other	0	0	0	0	0	-2	-2
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	-67	18	-24	-61	0	-75	-20
Income tax expense	0	-20	7	8	6	-71	-159
RESULT AFTER TAX	-67	-3	-17	-53	5	-146	-179
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	-67	-3	-17	-53	5	-146	-179
Of which banking	-8	10	-8	-18	9	-104	-166
Of which holding	-67	-10	-12	-38	-7	-44	-10
Of which insurance	7	-2	3	3	3	2	-3
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	0	0	0	0	0	0	0
of which Mortgage loans (end of period)	0	0	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	7 558	7 558	7 723	8 376	7 832	7 918	7 918
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 629	2 629	2 725	2 831	3 298	3 478	3 478
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	7	7	-25	-23	-13	-23	-23
Allocated capital (end of period)	286	286	264	277	336	339	339

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	2018	2017
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 570	2 575
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 76	- 52
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417,0	418,1
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417,0	418,1
Basic = (A-B) / (C) (in EUR)		5,98	6,03
Diluted = (A-B) / (D) (in EUR)		5,98	6,03

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	2018	2017
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	878	813
/			
Earned insurance premiums (B)	Note 3.7.1	1 553	1 465
+			
Operating expenses (C)	Note 3.7.1	505	482
/			
Written insurance premiums (D)	Note 3.7.1	1 597	1 493
= (A/B)+(C/D)		88,2%	87,8%

Common equity ratio

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

Calculation (in millions of EUR or %)	2018	2017
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'		
Fully loaded	16,0%	16,3%

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	2018	2017
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	3 714	3 570
/			
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	6 459	6 587
=(A) / (B)		57,5%	54,2%

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) and one-off items. The Cost/Income ratio adjusted for specific items is 57,4% in FY 2018 (versus 54,9% in FY 2017).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	2018	2017
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	3 203	4 039
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	7 151	9 186
= (A) / (B)		44,8%	44,0%

(*) As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests and moreover the transaction scope of the loan portfolio has been extended. The cover ratio of FY 2017 taken into account the new definition increased from 44,0% to 48,1%.

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	2018	2017
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 59	- 87
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	163 393	151 681
= (A) (annualised) / (B)		-0,04%	-0,06%

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	2018 (*)	2017
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	7 151	9 186
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	164 824	154 160
= (A) / (B)		4,3%	6,0%

(*) As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests.
In addition, the transaction scope of the loan portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure). The impaired loans ratio of FY 2017 taken into account the new definition increased from 6,0% to 6,1%.

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	2018	2017
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	16 150	16 504
/			
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)	266 594	272 373
= (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	2018	2017
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	79 300	79 850
/			
Total net cash outflows over the next 30 calendar days (B)		57 200	57 600
= (A) / (B)		139%	139%

Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From year-end 2017 actuals, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	2018	2017
Loans and advances to customers (related to the group's banking activities) (A)	Note 4.1	147 052	140 999
+			
Corporate bonds in investment books (banking) (B)	Note 4.1 component of 'debt securities - corporates'	2 483	-
-			
Reverse repos with customers (C)	Note 4.1	-	-
+			
Reverse repos excl Central Banks (D)	Note 4.1, component of 'Reverse repos with credit institutions'	538	-
+			
Bank bonds in investment books (banking) (E)	Note 4.1 component of 'debt securities - Credit institutions'	3 267	-
+			
Exposures on Credit institutions (incl nostro accounts) (F)		4 603	-
+			
Debt instruments issued by corporates and by credit institutions and investment firms (related to the group's banking activities) (G)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'		6 243
+			
Loans and advances to credit institutions and investment firms (related to the group's banking activities, excluding dealing room activities) (H)	Note 4.1, component of 'Loans and advances to credit institutions and investment firms '		881
+			
Financial guarantees granted to clients (I)	Note 6.1, component of 'Financial guarantees given'	8 302	8 235
+			
Impairment on loans (J)	Note 4.2, component of 'Impairment'	3 534	4 058
-			
Insurance companies (K)	Note 4.1, component of 'Loans and advances to customers'	- 2 296	- 2 458
+			
Non-loan related receivables (L)		- 517	-
+			
Other (including accrued interest before 2018) (M)	Component of Note 4.1	- 2 142	- 3 797
= (A)+(B)-(C)+(D)+(E)+(F)+(G)+(H)+(I)+(J)-(K)+(L)+(M)		164 824	154 160

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

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	2018	2017
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	3 813	3 513
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	187 703	187 216
= (A) (annualised x360/number of calendar days) / (B)		2,00%	1,85%

From 1Q 2018 the definition of NIM has been updated, it concerns banking group NII excluding dealing room and the net positive impact of ALM FX swaps & repos. The pro-forma NIM of full year 2017 is 1,95%.

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	2018	2017
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	165 650	157 700
/			
Required amount of stable funding (B)		122 150	117 300
= (A) / (B)		135,6%	134,5%

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	2018	2017
Parent shareholders' equity (A)	'Consolidated balance sheet'	17 233	17 403
/			
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416,1	418,5
= (A) / (B) (in EUR)		41,42	41,58

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	2018	2017
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	1 450	1 575
/			
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)		6 496	6 007
= (A) annualised / (B)		22,3%	26,2%
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	654	702
/			
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)		1 696	1 620
= (A) annualised / (B)		38,5%	43,0%
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	533	444
/			
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)		2 204	2 054
= (A) annualised / (B)		24,2%	21,6%

Return on equity

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

Calculation (in millions of EUR or %)	Reference	2018	2017
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	2 570	2 575
-			
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	'Consolidated statement of changes in equity'	- 76	- 52
/			
Average parent shareholders' equity, excluding the revaluation reserve for available-for-sale / FV OCI assets / Overlay (C)	'Consolidated statement of changes in equity'	15 935	14 926
= (A-B) (annualised) / (C)		15,6%	16,9%

Solvency ratio (insurance)

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

Calculation	2018	2017
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	217%	212%

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	2018	2017
Belgium Business Unit (A)	Company presentation on www.kbc.com	186,4	202,1
+			
Czech Republic Business Unit (B)		9,5	9,6
+			
International Markets Business Unit (C)		4,4	5,0
A)+(B)+(C)		200,3	216,7