

KBC Group Quarterly Report

30/2018



Report for 3Q2018

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Management certification

'I, Rik Scheerlinck, Chief Financial Officer of the KBC Group, certify on behalf of the Executive Committee of KBC Group NV that, to the best of my knowledge, the abbreviated financial statements included in the quarterly report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of KBC Group NV including its consolidated subsidiaries, and that the quarterly report provides a fair view of the main events, the main transactions with related parties in the period under review and their impact on the abbreviated financial statements, and an overview of the main risks and uncertainties for the remainder of the current year.'

Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in this report are, of course, based on assumptions and are contingent on a number of factors that will come into play in the future. Consequently, the actual situation may turn out to be (substantially) different.

Investor Relations contact details

Investor.relations@kbc.com

KBC Group NV, Investor Relations Office, Havenlaan 2, 1080 Brussels, Belgium

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KBC Group

Report for 3Q2018



Third-quarter result of 701 million euros

KBC Group - overview (consolidated, IFRS)	3Q2018 (IFRS 9)	2Q2018 (IFRS 9)	3Q2017 (IAS 39)	9M2018 (IFRS9)	9M2017 (IAS39)
Net result (in millions of EUR)	701	692	691	1 948	2 176
Basic earnings per share (in EUR)	1.63	1.61	1.62	4.54	5.11
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	409	437	455	1 089	1 240
Czech Republic	168	145	170	484	534
International Markets	141	163	78	440	370
Group Centre	-17	-53	-12	-64	32
Parent shareholders' equity per share (in EUR, end of period)	40.6	39.9	40.6	40.6	40.6

We delivered a net profit of 701 million euros in the third quarter of 2018. An excellent result, thanks, among other things, to higher levels of net interest income, trading and fair value income and other net income, an outstanding combined ratio in our non-life insurance activities, and – yet again – a net release of some loan loss impairments, the bulk of which related to our Irish mortgage book. Adding this third-quarter results figure to the 556 million euros and 692 million euros earned in the first and second quarters of the year brings our result for the first nine months of 2018 to a solid 1 948 million euros. Loans increased by 5% year-on-year and deposits excluding debt certificates by 6%. Our solvency position remained strong too. At the end of September 2018, our common equity ratio was 16%, up again on the 15.8% recorded in the previous quarter and comfortably surpassing the regulatory minimum levels in this respect. As announced earlier, we will, in line with our dividend policy, pay an interim dividend of 1 euro per share on 16 November 2018, as an advance payment on the total dividend for 2018.

Early in the third quarter, we completed the buyback of 2.7 million own shares and subsequently cancelled them, reducing our total number of shares to 415 897 567. And as already announced, KBC Bank Ireland reached an agreement with Goldman Sachs to sell part of its legacy loan portfolio, which will significantly reduce that entity's impaired loans ratio as well as lower the group's ratio. We expect the deal to be completed in the fourth quarter of this year.

On the digital front, our focus is on developing innovative client-centric solutions that make our clients' lives easier. To name just a few examples, we not only added multi-banking possibilities to our KBC Mobile app in Belgium, but also recently added new specific non-banking features to this app, including the ability to pay for car parking services and the possibility to use the app to buy digital tickets for public transport. In Ireland, we added a new feature to the mobile app that allows customers to easily mark a card as lost or stolen and moreover instantly receive a digital replacement. And in the Czech Republic, ČSOB was crowned Best Internet Bank in that country by Capital Finance International, yet more proof of the success of our client-centric digital initiatives.

On the broader economic front, European economic conditions remain attractive, although we believe that the growth peak is behind us. The risk of further economic de-globalisation with an escalation of ongoing trade conflicts, Brexit and political turmoil in Italy are the main factors that could impede European economic growth.

Lastly, I'm very proud to announce that we not only received top scores in the international Extel Awards, but that we were also recently honoured by the Belgian Association of Financial Analysts with the award for 'Best Financial Communication'.

This is especially gratifying since open and transparent communication to our stakeholders ranks very high on our priority list. To close, I would like to take the opportunity to explicitly thank all our stakeholders for the trust they put in us and to assure them that we are more focused than ever in our efforts to become the reference in bank-insurance in all our core countries.

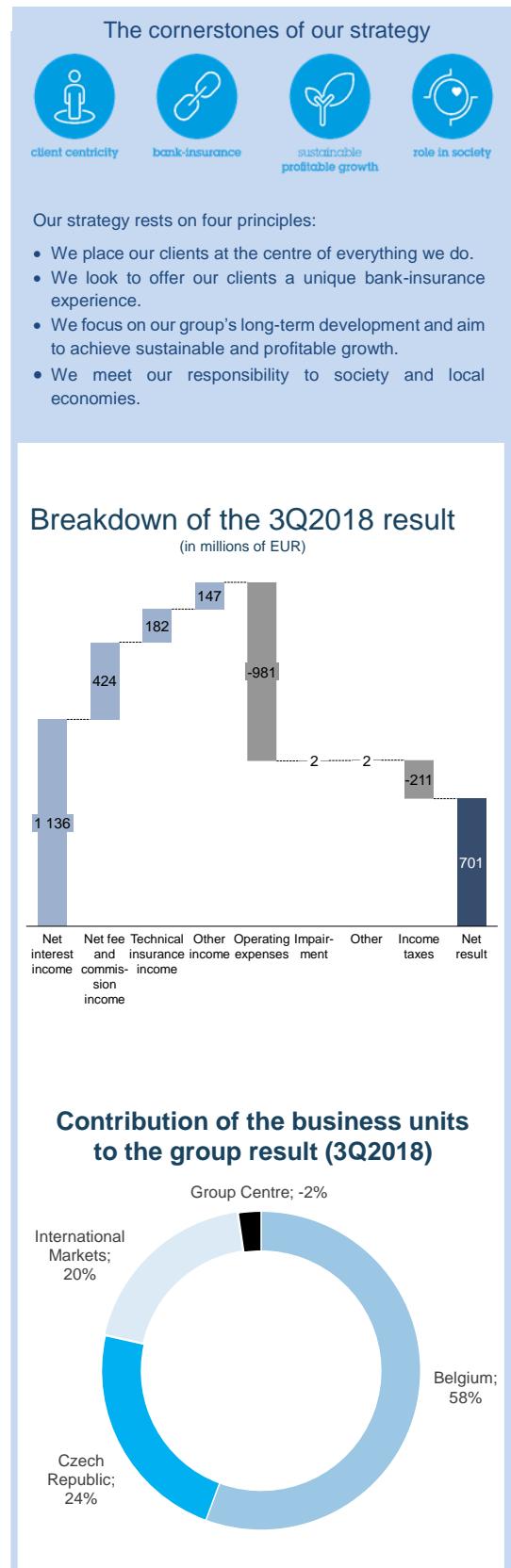
Johan Thijs
Chief Executive Officer



Important. As of 2018, we have started applying IFRS 9. 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 to 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, we have – as of 2018 and in line with IFRS 9 – also moved interest accruals for FX derivatives in the banking book from 'Trading and fair value income' to 'Net interest income'. We have also shifted network income (i.e. income received 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'. A short overview is provided in the annex. Furthermore, related to IFRS 9, we changed, as of 2018, the definition of our loan portfolio from outstanding to gross carrying amount (i.e. incl. reserved and accrued interests) and slightly amended the scope. In order to enhance comparability, we have added certain comparisons with pro forma (recalculated) figures for 2017 (unaudited) in the analysis below. When this is done, it is indicated by the words '**on a comparable basis**'.

Financial highlights in the third 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, with increases in all business units. Deposits excluding debt certificates were flat quarter-on-quarter and up 6% year-on-year, the latter again with increases in all business units.
- ▶ Net interest income was up 2%, both quarter-on-quarter and year-on-year (on a comparable basis). It benefited from a number of factors, including 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 down 5% compared to the year-earlier quarter, as higher earned premiums were more than offset by higher technical charges (which had benefited from a positive one-off release in the reference quarter) and a lower result from ceded reinsurance. The resulting combined ratio for the first nine months of the year amounted to an excellent 88%, fully in line with the figure recorded for full-year 2017. Sales of our life insurance products fell by 10% on their level recorded in the previous quarter and by 5% on their level of the third quarter of 2017.
- ▶ On a comparable basis, our net fee and commission income was down 3% and 2%, respectively, on its quarter-earlier and year-earlier levels. This came about mostly because of lower asset management-related fees, relating to the low investment appetite of clients, among other things.
- ▶ All other income items combined were up 24% quarter-on-quarter, owing to higher trading and fair value income, a higher level of other net income (the previous quarter had been impacted by a negative one-off item) and notwithstanding seasonally lower dividend income, among other factors. On a comparable basis, all other income items combined were up 32% year-on-year, due primarily to the fact that the reference quarter had been impacted by a provision of 54 million euros set aside for the industry wide review of the tracker rate mortgage products originated in Ireland before 2009.
- ▶ Costs excluding bank taxes were up 1% quarter on-quarter and 7% year-on-year, due, among other things, to staff and ICT-expenses and a number of one-off items. When bank taxes are spread evenly throughout the year and certain non-operating items are excluded, the cost/income ratio amounted to 57% in the first nine months of 2018, compared to the 55% recorded for full-year 2017.
- ▶ The quarter benefited from an 8-million-euro release of loan loss impairments, mainly in Ireland. Consequently, our annualised cost of credit amounted to a very favourable -0.07% (a negative figure indicates a positive impact on the results), compared to the -0.06% registered for full-year 2017. Without Ireland, the credit cost ratio would have come to 0.01%, compared to 0.09% for full-year 2017.
- ▶ Our liquidity position remained strong, as did our capital base, with a common equity ratio of 16.0% (fully loaded, Danish compromise). Our leverage ratio amounted to 6.1% at end September 2018.



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2018 (IFRS 9)	2Q2018 (IFRS 9)	1Q2018 (IFRS 9)	4Q2017 (IAS 39)	3Q2017 (IAS 39)	9M2018 (IFRS 9)	9M2017 (IAS 39)
Net interest income	1 136	1 117	1 125	1 029	1 039	3 378	3 091
Non-life insurance (before reinsurance)	197	202	162	152	188	562	554
Earned premiums	403	392	378	384	378	1 173	1 107
Technical charges	-205	-190	-216	-232	-190	-611	-553
Life insurance (before reinsurance)	-9	1	-7	-3	-3	-15	-55
Earned premiums	293	315	336	410	282	944	861
Technical charges	-302	-314	-343	-414	-284	-959	-916
Ceded reinsurance result	-6	-14	-9	-10	16	-29	2
Dividend income	12	34	21	8	11	67	55
Net result from financial instruments at fair value through P&L ¹	79	54	96	235	182	229	622
Net realised result from available-for-sale assets	-	-	-	51	51	-	148
Net realised result from debt instruments at fair value through other comprehensive income	0	8	1	-	-	9	-
Net fee and commission income	424	438	450	430	408	1 312	1 277
Other net income	56	23	71	-14	4	150	128
Total income	1 888	1 863	1 912	1 878	1 896	5 663	5 822
Operating expenses	-981	-966	-1 291	-1 021	-914	-3 239	-3 053
Impairment	2	1	56	-2	-31	60	32
Of which: on loans and receivables ²	-	-	-	30	-15	-	57
Of which: on financial assets at amortised cost and at fair value through other comprehensive income ²	8	21	63	-	-	92	-
Share in results of associated companies & joint ventures	2	3	6	-5	8	12	16
Result before tax	911	901	683	850	959	2 496	2 818
Income tax expense	-211	-210	-127	-451	-268	-548	-641
Result after tax	701	692	556	398	691	1 949	2 176
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	701	692	556	399	691	1 948	2 176
Basic earnings per share (EUR)	1.63	1.61	1.30	0.92	1.62	4.54	5.11
Diluted earnings per share (EUR)	1.63	1.61	1.30	0.92	1.62	4.54	5.11
Key consolidated balance sheet figures	30-09-2018 (IFRS 9)	30-06-2018 (IFRS 9)	31-03-2018 (IFRS 9)	31-12-2017 (IAS 39)	30-09-2017 (IAS 39)		
Total assets	304 740	301 934	304 022	292 342	296 885		
Loans and advances to customers, excl. reverse repos	146 011	145 346	142 512	140 999	139 538		
Securities (equity and debt instruments)	63 030	63 936	66 050	67 743	69 273		
Deposits from customers and debt certificates, excl. repos	194 056	192 951	188 034	193 708	188 962		
Technical provisions, before reinsurance	18 533	18 595	18 754	18 641	18 696		
Liabilities under investment contracts, insurance	13 444	13 428	13 338	13 552	13 294		
Parent shareholders' equity	16 878	16 616	17 119	17 403	17 003		
Selected ratios							
KBC group (consolidated)		9M2018		FY2017			
Return on equity		16% ⁵		17%			
Cost/income ratio, banking (when excluding certain non-operating items and evenly spreading the bank tax)		59% (57%)		54% (55%)			
Combined ratio, non-life insurance		88%		88%			
Common equity ratio, Basel III Danish Compromise (fully loaded)		16.0%		16.3%			
Common equity ratio, FICOD (fully loaded)		15.1%		15.1%			
Leverage ratio, Basel III (fully loaded)		6.1%		6.1%			
Credit cost ratio ³		-0.07%		-0.06%			
Impaired loans ratio ⁴		5.5%		6.0%			
for loans more than 90 days past due		3.2%		3.4%			
Net stable funding ratio (NSFR)		134%		134%			
Liquidity coverage ratio (LCR)		138%		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 Excluding the part of the Irish portfolio for which a sales agreement has been signed, the impaired loans ratio would amount to 4.5% in 9M2018.

5 17%, when evenly spreading the bank tax throughout the year.

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 (3Q2018)

Total income 1 888 million euros	Total income increased slightly (+1%) quarter-on-quarter. Overall, net interest income and trading and fair value income rose, while technical insurance income, net fee and commission income and dividend income were down. Net other income was up, as the previous quarter had been impacted by a negative one-off item.
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Net interest income amounted to 1 136 million euros in the quarter under review. On a comparable basis, it was up 2%, both quarter-on-quarter and year-on-year. In general, the pressure on commercial loan margins in most core countries, the negative effect of low reinvestment yields (in our core countries in the euro area) and the lower netted positive impact of ALM forex swaps 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 by 5% year-on-year, with increases in all business units. Customer deposits including debt certificates remained more or less flat quarter-on-quarter, and were up 3% 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 the contingent capital securities being redeemed in January), deposits were up 6% year-on-year, again with increases in all business units. The net interest margin came to 1.98% for the quarter under review, down 2 basis points on the level recorded in the previous quarter and up 2 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 191 million euros to total income, roughly in line with the previous quarter, as the increase in technical charges was offset by an increase in premium income in all core countries and a better ceded reinsurance result. Compared to the third quarter of 2017, non-life technical income fell by 5%, with the growth of earned premiums being offset by the lower ceded reinsurance result and higher technical charges (since the third quarter of 2017 had benefited from a one-off 26-million-euro release of provisions in Belgium). Overall, the combined ratio for the first nine months of 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 -10 million euros, compared to 0 million euros in the previous quarter and -1 million euros in the year-earlier quarter (the latter had also benefited from a 23-million-euro release of provisions in Belgium). Sales of life insurance products (383 million euros) suffered under the low investment appetite of clients (related to market uncertainty) and the holiday season, and were consequently down 10% on the level recorded in the previous quarter, with most of the drop relating to guaranteed-interest products. Compared to the year-earlier quarter, sales of life insurance products were down 5% (decline in sales of unit-linked products). Overall, the share of guaranteed-interest products in our total life insurance sales stood at 60% in the third quarter of 2018, with unit-linked products accounting for the remaining 40%.

At 424 million euros, net fee and commission income was – on a comparable basis – down 3% and 2%, 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 (again on account of the generally low investment appetite of clients and the holiday season) and lower fee income from banking services, together with higher commissions paid on non-life insurance sales. The 2% year-on-year drop was caused by the decrease in asset management-related fees which more than offset the increase in banking fees (for payment services, securities transactions, etc.). At the end of September 2018, our total assets under management stood at 214 billion euros, more or less stable both quarter-on-quarter and year-on-year. In both cases, the limited positive impact of improved price performance was offset by likewise limited net outflows.

All other remaining income items amounted to an aggregate 147 million euros, as opposed to 119 million euros in the previous quarter and 111 million euros in the year-earlier quarter (on a comparable basis). The figure for the third quarter of 2018 included 12 million euros in dividend income (down on the previous quarter, since the bulk of dividends is traditionally received in the second quarter of the year). It also included 56 million euros in other net income, significantly up on both reference quarters as the second quarter of 2018 had been negatively impacted by a 38-million-euro one-off item related to the settlement of a legacy legal case, while the third quarter of 2017 had been adversely impacted by 54 million euros 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 79-million-euro net result from financial instruments at fair value (trading and fair value income). This figure was up 44% on the figure recorded in the previous quarter, due mainly to the higher value of derivatives used for asset/liability management purposes and the positive impact of various valuation adjustments, which more than offset the weaker dealing room income and the drop in realised gains on the sale of shares in the insurance portfolio. Compared to the third quarter of 2017, trading and fair value income was down 16% on a comparable basis, due primarily to lower dealing room income in the Czech Republic and lower realised gains on the sale of shares in the insurance portfolio, which more than offset the positive impact of various valuation adjustments.

Operating expenses 981 million euros

Excluding bank taxes, operating expenses in the third quarter were up 1% on the previous quarter. When the bank taxes are spread evenly throughout the year and certain non-operational items are excluded, the year-to-date cost/income ratio came to 57%.

Operating expenses in the third quarter of 2018 stood at 981 million euros. Excluding bank taxes, this constitutes an increase of 1% quarter-on-quarter, caused mainly by somewhat higher staff expenses in a number of countries apart from Belgium (wage inflation, etc.), higher marketing and ICT costs and a few one-off items, partly offset by lower facility-related expenses. Costs rose 7% year-on-year, due in part to higher bank taxes, increased staff expenses, higher ICT costs, increased marketing and professional fee expenses and a few one-off items.

As a result, the cost/income ratio of our banking activities stood at 59% in the first nine months of the year. When the bank taxes are spread evenly throughout the year (the bulk of bank taxes is effectively booked in the first quarter of the year) and certain non-operating items are excluded, the cost/income ratio came to 57%, compared to 55% for full-year 2017.

Loan loss impairments 8-million-euro net release

Another net release of loan loss impairment charges thanks largely to Ireland. Very favourable credit cost ratio of -0.07%.

In the third quarter of 2018, we recorded an 8-million-euro net release of loan loss impairments. This compares with a net release of 21 million euros in the previous quarter and a net addition of 15 million euros in the third quarter of 2017. As has been the case for a number of consecutive quarters now, the net release in the third quarter of 2018 was largely attributable to Ireland (net release of 15 million euros in the quarter under review), which came about mainly because of the positive effect of increased house prices on the mortgage loan portfolio, as well as the general improvement in the performance of the portfolio. In the Czech Republic, loan loss impairment charges edged up to 12 million euros, caused by one large corporate loan. In all the other core countries, there was either a small release of loan loss impairments (Slovakia, Hungary, Bulgaria, Group Centre) or a generally very low level of loan loss impairment charges (Belgium). Consequently, the credit cost ratio for the entire group amounted to a very favourable -0.07% for the first nine months of the year (a negative figure indicates a net release and, hence, has a positive impact on the results), compared to -0.06% in full-year 2017. Excluding Ireland, the credit cost ratio would have come to 0.01% in the first nine months of the year (0.09% in full-year 2017).

The impaired loans ratio improved further in all business units. At the end of September 2018, some 5.5% of our total loan book was classified as impaired, compared with 6.0% at year-end 2017. Impaired loans that are more than 90 days past due amounted to 3.2% of the loan book (3.4% at year-end 2017).

The quarter under review also included a limited amount (6 million euros) of impairments on assets other than loans. This compares to 20 million euros in the previous quarter (mainly related to the impact of the review of residual values of financial car leases under short-term contracts in the Czech Republic and a legacy property file in Bulgaria) and to 17 million euros in the third quarter of 2017 (relating to available-for-sale shares, facilities assets and ICT, among other things).

Net result by business unit

	Belgium	Czech Republic	International Markets	Group Centre
	409 million euros	168 million euros	141 million euros	-17 million euros

Belgium: the net result (409 million euros) was down 6% quarter-on-quarter. It included a virtually stable level of trading and fair value income and only slightly lower net interest income (-1%), as well as lower net fee and commission income, technical insurance income and dividend income (seasonal effect). Costs were slightly lower (reduction in staff expenses, among other things) and loan loss impairments stood at a very low level.

Czech Republic: the net result (168 million euros) was up 16% on its level for the previous quarter, due mainly to increased net interest income (increasing interest rates, etc.) and higher trading and fair value income. Costs were up, as were loan loss impairments (due to one corporate loan).

International Markets: the 141-million-euro net result breaks down as follows: 27 million euros in Slovakia, 51 million euros in Hungary, 31 million euros in Bulgaria and 32 million euros in Ireland. For the business unit as a whole, the net result was down 13% quarter-on-quarter, which was largely due to a lower level of net loan loss releases in Ireland (15 million euros, compared to 39 million euros in the previous quarter).

Group Centre: the net result (-17 million euros) was up 36 million euros on the level recorded in the previous quarter, which had been impacted by a negative one-off item related to the settlement of a legacy legal case (38 million euros).

Selected ratios by business unit	Belgium		Czech Republic		International Markets	
	9M2018	FY2017	9M2018	FY2017	9M2018	FY2017
Cost/income ratio, banking excluding certain non-operating items and spreading the bank tax evenly throughout the year	57%	53%	46%	43%	63%	72%
Combined ratio, non-life insurance	87%	86%	96%	97%	88%	93%
Credit cost ratio ¹	0.06%	0.09%	0.04%	0.02%	-0.56%	-0.74%
Impaired loans ratio ²	2.4%	2.8%	2.3%	2.4%	18.9%	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 19.3 billion euros	Common equity ratio (fully loaded) 16.0%	Liquidity coverage ratio 138%	Net stable funding ratio 134%
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At the end of September 2018, total equity stood at 19.3 billion euros (16.9 billion euros in parent shareholders' equity and 2.4 billion euros in additional tier-1 instruments), up 1.2 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 1.2 billion euros during the first nine months of the year resulted from the inclusion of the profit for that period (+1.9 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 -0.2 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 30 September 2018, our fully loaded common equity ratio (Basel III, under the Danish compromise) stood at a strong 16.0%, compared to 15.8% three months earlier. 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 216% at 30 September 2018. Our liquidity position remained excellent too, as reflected in an LCR ratio of 138% and an NSFR ratio of 134% at the end of September 2018.

Analysis of the year-to-date period (9M2018)

Net result 1 948 million euros	The net result for the first nine months of 2018 was down 10% on its level in the corresponding period of 2017. On a comparable basis, the positive effect of the increase in net interest income, dividend income, other net income, technical insurance income and the higher level of loan loss impairment releases could not fully offset the significant drop in trading and fair value income, lower net fee and commission income and higher expenses.
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Highlights (compared to the first nine months of 2017, on a comparable basis):

- Higher net interest income (up 3% to 3 378 million euros), thanks *inter alia* to the consolidation of UBB/Interlease (for the full nine months in the 2018 figures, but for just three 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 and the negative effects of low reinvestment yields in most core countries. The volume of deposits increased (+3%, or +6% excluding debt certificates), as did the volume of lending (+5%). The average net interest margin in the first nine months of 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 3% to 518 million euros). Life insurance sales (1 307 million euros) were up slightly (+1%), as the increased sale of guaranteed-interest products more than offset the drop in the sale of unit-linked products. The non-life insurance technical result was somewhat lower (-4%) than in the year-earlier period, with higher premium income being offset by higher technical charges (the reference period had benefited from a positive one-off release) and a lower ceded reinsurance result. The year-to-date non-life combined ratio stood at 88%, the same level as in full-year 2017.
- Lower net fee and commission income (down 3% to 1 312 million euros), attributable primarily to our asset management services and, to a lesser extent, to lower securities-related fees, partly offset by increased payment services-related fees, lower distribution fees paid and the consolidation of UBB/Interlease (included for nine months, as opposed to three months in the reference figures). At the end of September 2018, total assets under management stood at 214 billion euros, in line with the level recorded a year earlier.

- A lower level of all other income items combined (down 26% to 455 million euros) caused mainly by a significantly lower trading and fair value result (lower value of derivatives used for asset/liability management purposes and decrease in the dealing room result), partly offset by an increase in dividend income and other net income (note that other net income in the first nine months of 2017 had included the booking of -54 million euros as a result of an industry-wide review of tracker rate mortgage products originated in Ireland before 2009).
- Higher operating expenses (up 6% to 3 239 million euros), partly due to Bulgaria (distorted due to the consolidation of UBB/Interlease for nine months in 2018 as opposed to three months in 2017), higher bank taxes, some one-off items and FX effects. Excluding these items, the increase would be around 3%. The year-to-date cost/income ratio came to 59%, or an adjusted 57% when bank taxes are evenly spread throughout the year and certain non-operating items are excluded (compared to 54% and 55%, respectively, for full-year 2017).
- A net release of loan loss impairments (92 million euros in the first nine months of 2018, compared to 57 million euros in the year-earlier period) thanks largely to the impairment releases in Ireland (96 million euros, largely 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 -0.07% (a negative figure indicates a positive impact on the results), compared to -0.06% for full-year 2017.
- The net result for the first nine months of 2018 breaks down as follows: 1 089 million euros in the Belgium Business Unit, 484 million euros in the Czech Republic Business Unit, 440 million euros in the International Markets Business Unit and -64 million euros in the Group Centre. The result for the International Markets Business Unit for the first nine months of 2018 breaks down into 147 million euros in Hungary, 144 million euros in Ireland, 77 million euros in Bulgaria and 69 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. Although we closely monitor and manage each of these risks within a strict risk framework containing governance and limits, they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.

At present, a number of items are considered to constitute the main challenges for the financial sector. Regulatory risk remains a dominant theme for the sector (even though the 'Basel IV' agreement in December 2017 has brought some clarification as regards future capital requirements), as does enhanced consumer protection. Another ongoing challenge remains the low interest rate environment, combined with the increased risk of asset bubbles. The financial sector also faces the potential systemic consequences of political and financial developments like Brexit, the Italian budget discussions or protectionist measures in the US, which will have an impact on the European economy. Technology used in the financial industry is an additional challenge for the business model of traditional financial institutions. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

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

Our view on interest rates and foreign exchange rates: in line with its recent communication, we expect the ECB to end its Asset Purchase Programmes in December 2018. The first step towards policy rate normalisation will only be taken several months after the end of QE (quantitative easing), which is likely to be in September 2019. In the meantime, we expect the Fed to carry out one more rate hike this year while its balance sheet rundown continues as planned. We expect the Fed rate cycle to peak at 3.375% at the end of 2019. Consequently, we believe that the US dollar will continue strengthening against the euro in the short run, as it benefits from short-term interest rate support arising from persistent monetary policy divergence. On a somewhat longer-term horizon, however, the euro will probably start appreciating again. Despite the flight to quality and safe-haven effects, persistent excess liquidity, the sustained German budget surplus, relatively subdued European (core) inflation and still highly accommodating monetary policy of the ECB, German long-term bond yields are expected to rise in the period ahead, albeit only modestly. 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 by the end of 2019. We expect two more increases in the policy rate before the end of 2020 in the Czech Republic.

Our view on economic growth: European economic conditions remain attractive, although we believe that the growth peak is behind us. Persistently decreasing unemployment rates, with growing labour shortages even arising in some European economies, combined with gradually rising wage inflation will continue to support private consumption. Moreover, investments will remain an important driver of growth. The main elements that could 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 Italy.

Guidance for the remainder of 2018

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

Annex

Pro forma recalculation of 2017 reference figures for the main income lines, KBC Group (in millions of EUR, unaudited figures)	3Q2018	2Q2018	1Q2018	Pro forma recalculation of 2017 reference figures			
				4Q2017	3Q2017	2Q2017	1Q2017
Net interest income	1 136	1 117	1 125	1 029	1 039	1 028	1 025
+ interest accruals on 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)	79	54	96	235	182	249	191
- interest accruals on FX derivatives				-108	-75	-66	-56
- network income				-26	-25	-24	-24
+ result on equity instruments ('overlay approach')				+17	+12	+21	+19
= pro forma reference figure (used in our results analysis)				=118	=94	=180	=130
Net fee and commission income	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

Interest accruals on FX derivatives: moved from FIFV to 'Net interest income' (in line with the transition to IFRS 9).

Network income (income received from margins earned on FX transactions carried out by the network for clients): moved from FIFV to 'Net fee and commission income'.

Result on equity instruments: in line with the IFRS 9 'overlay approach', realised gains and losses and impairment on what used to be available-for-sale shares in the insurance portfolio have been moved from 'Net result from available-for-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 recorded in other comprehensive income (i.e. eliminated from the net result).

KBC Group

Consolidated financial statements according to IFRS

3Q 2018 and 9M 2018



Section reviewed by the Auditor

Glossary

AC: amortised cost
AFS: Available For Sale (IAS 39)
ALM: Asset Liability Management
ECL: Expected Credit Loss
FA: Financial Assets
FTA: First Time Application/Adoption
FV: Fair Value
FVA: Funding Value Adjustment
FVOCI: Fair Value through Other Comprehensive Income
FVPL: Fair Value through Profit or Loss
FVPL – overlay: Fair Value through Profit or Loss - overlay
GCA: Gross Carrying Amount
HFT: Held For Trading
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	9M 2018	9M 2017	3Q 2018	2Q 2018	3Q 2017
		IFRS 9	IAS 39	IFRS 9	IFRS 9	IAS 39
Net interest income	3.1	3 378	3 091	1 136	1 117	1 039
Interest income	3.1	5 148	4 747	1 754	1 712	1 605
Interest expense	3.1	- 1 771	- 1 655	- 618	- 595	- 566
Non-life insurance before reinsurance	3.7	562	554	197	202	188
Earned premiums Non-life	3.7	1 173	1 107	403	392	378
Technical charges Non-life	3.7	- 611	- 553	- 205	- 190	- 190
Life insurance before reinsurance	3.7	- 15	- 55	- 9	1	- 3
Earned premiums Life	3.7	944	861	293	315	282
Technical charges Life	3.7	- 959	- 916	- 302	- 314	- 284
Ceded reinsurance result	3.7	- 29	2	- 6	- 14	16
Dividend income		67	55	12	34	11
Net result from financial instruments at fair value through profit or loss	3.3	229	622	79	54	182
Of which Result on equity instruments (overlay)		54	-	2	33	-
Net realised result from available-for-sale assets		-	148	-	-	51
Net realised result from debt instruments at fair value through OCI		9	-	0	8	-
Net fee and commission income	3.5	1 312	1 277	424	438	408
Fee and commission income	3.5	1 853	1 974	606	600	606
Fee and commission expense	3.5	- 541	- 697	- 182	- 161	- 198
Net other income	3.6	150	128	56	23	4
TOTAL INCOME		5 663	5 822	1 888	1 863	1 896
Operating expenses	3.8	- 3 239	- 3 053	- 981	- 966	- 914
Staff expenses	3.8	- 1 763	- 1 719	- 593	- 587	- 578
General administrative expenses	3.8	- 1 269	- 1 137	- 318	- 311	- 268
Depreciation and amortisation of fixed assets	3.8	- 207	- 197	- 70	- 69	- 68
Impairment	3.10	60	32	2	1	- 31
On loans and receivables	3.10	-	57	-	-	15
On financial assets at amortised cost and at FV through OCI	3.10	92	-	8	21	-
On available-for-sale assets	3.10	-	9	-	-	6
On goodwill	3.10	0	0	0	0	0
On other	3.10	- 32	- 16	- 6	- 20	- 11
Share in results of associated companies and joint ventures		12	16	2	3	8
RESULT BEFORE TAX		2 496	2 818	911	901	959
Income tax expense		- 548	- 641	- 211	- 210	- 268
RESULT AFTER TAX		1 949	2 176	701	692	691
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		1 948	2 176	701	692	691
Earnings per share (in EUR)						
Basic		4,54	5,11	1,63	1,61	1,62
Diluted		4,54	5,11	1,63	1,61	1,62

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 2021 (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 -61 million euros in 9M 2018. It can be summarized as the difference between

- IFRS 9 result (without applying the overlay): -6 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: 54 million euros including net realised result amounting to 74 million euros and impairment loss of 19 million euros.
- The tax impact on this reclassification amounts to -1 million euros.

For more information see note 'Summary of significant accounting policies' (note 1.2) further in this report.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	9M 2018	9M 2017	3Q 2018	2Q 2018	3Q 2017
	IFRS 9	IAS 39	IFRS 9	IFRS 9	IAS 39
RESULT AFTER TAX	1 949	2 176	701	692	691
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	1 948	2 176	701	692	691
Other comprehensive income - to be recycled to P&L	- 266	27	- 25	- 167	49
Net change in revaluation reserve AFS equity	-	- 19	-	-	- 14
Net change in revaluation reserve AFS bonds	-	- 115	-	-	54
Net change in revaluation reserve FVOCI debt instruments	- 242	-	- 104	- 105	-
Net change in revaluation reserve (AFS assets) - Other	-	0	-	-	0
Net change in revaluation reserve FVPL equity instruments - overlay approach	- 61	-	14	12	-
Net change in hedging reserve - cash flow hedge	69	182	52	- 31	22
Net change in translation differences	- 78	- 112	58	- 136	- 29
Hedge of net investments in foreign operations	55	96	- 42	98	17
Net change related to associated companies & joint ventures	- 6	- 3	0	- 6	- 1
Other movements	- 3	- 1	- 3	0	0
Other comprehensive income - not to be recycled to P&L	25	58	37	- 12	31
Net change in revaluation reserve FVOCI equity instruments	9	-	4	2	-
Net change in defined benefit plans	15	63	34	- 16	30
Net change on own credit risk - liabilities designated at FVPL	1	- 5	- 1	3	1
Net change related to associated companies & joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	1 707	2 261	713	513	771
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	1 707	2 261	713	513	771

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

The largest movements in other comprehensive income (9M 2018 vs. 9M 2017):

- The revaluation reserve (FV OCI debt instruments) lowered in 9M 2018 by -242 million euros, negatively impacted by higher interest rates in general, an increase of the credit spread on Italian government bonds and the unwinding effect (the latter also partly explains the positive net change in the hedging reserve (cash flow hedge) +69 million euros). In 9M 2017, the net change in revaluation reserve (AFS assets) – Bonds, hedging reserve (cash flow hedge) and defined benefit plans amounted to respectively -115 million euros, +182 million euros and +63 million euros, which were all mainly explained by an increase in long-term interest rates.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -61 million euros in 9M 2018 can be explained for the largest part by transfers to net result (gains on disposal) and to a lesser extent by negative fair value movements. In 9M 2017, net change in revaluation reserve (AFS assets) – Equity of -19 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 9M 2018 (-78 million euros) is mainly caused by the depreciation of the CZK and HUF. This was largely compensated by the hedge of net investments in foreign operations (+55 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

	Note	30-09-2018 IFRS 9	31-12-2017 IAS 39	01-01-2018 IFRS9
ASSETS (in millions of EUR)				
Cash, cash balances at central banks and other demand deposits from credit institutions		32 893	29 727	
Financial assets	4.0	262 859	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	220 823	-	210 865
Fair value through OCI	4.0	18 304	-	19 516
Fair value through profit or loss	4.0	23 509	-	23 191
Of which held for trading	4.0	7 733	-	7 148
Hedging derivatives	4.0	223	245	245
Reinsurers' share in technical provisions		130	131	
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 179	- 78	
Tax assets		1 600	1 625	
Current tax assets		118	82	
Deferred tax assets		1 482	1 543	
Non-current assets held-for-sale and disposal groups		960	21	
Investments in associated companies and joint ventures		208	240	
Property, equipment and investment property		3 314	3 207	
Goodwill and other intangible assets		1 264	1 205	
Other assets		1 689	1 512	
TOTAL ASSETS		304 740	292 342	
LIABILITIES AND EQUITY (in millions of EUR)				
Financial liabilities	4.0	263 103	251 260	251 260
Amortised cost	4.0	240 818	227 944	
Fair value through profit or loss	4.0	21 118	22 032	
Of which held for trading	4.0	5 981	6 998	
Hedging derivatives	4.0	1 167	1 284	
Technical provisions, before reinsurance		18 533	18 641	
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 279	- 86	
Tax liabilities		407	582	
Current tax liabilities		114	148	
Deferred tax liabilities		293	434	
Liabilities associated with disposal groups		0	0	
Provisions for risks and charges		278	399	
Other liabilities		3 420	2 743	
TOTAL LIABILITIES		285 462	273 540	
Total equity	5.10	19 278	18 803	
Parent shareholders' equity	5.10	16 878	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		304 740	292 342	

The evolution of the balance sheet 30 September 2018 versus 31 December 2017 is disturbed by the reclassification to 'non-current assets held-for-sale and disposal groups' in KBC Bank Ireland of part of the non-performing corporate and buy to let loan portfolio sold to Goldman Sachs. For more information see note 'Financial assets and liabilities : breakdown by portfolio and product' (note 4.1) further in this report.

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 (0.9 billion euros after impairments). This loan portfolio has been reclassified on the balance sheet to 'Non-current assets held for sale and disposal groups'. Consequently, this portfolio is no longer included in note 4.0, but all other reported notes and ratios still include the related portfolio. The closing date is expected in 4Q 2018.

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	Additional Tier-1 instruments included in equity			Minority interests	Total equity
	Parent shareholders' equity									
9M 2018 IFRS 9										
Balance at the end of the period (31-12-2017)	1 456	5 467	- 5	10 101	383	17 403	1 400	0	18 803	
Impact transition to IFRS 9	0	0	0	- 247	- 499	- 746	0	0	- 746	
Balance at the beginning of the period (01-01-2018) after impact IFRS 9	1 456	5 467	- 5	9 854	- 116	16 657	1 400	0	18 057	
Net result for the period	0	0	0	1 948	0	1 948	0	0	1 949	
Other comprehensive income for the period	0	0	0	- 3	- 238	- 241	0	0	- 241	
Subtotal	0	0	0	1 945	- 238	1 707	0	0	1 707	
Dividends	0	0	0	- 1 253	0	- 1 253	0	0	- 1 253	
Coupon additional Tier-1 instruments	0	0	0	- 42	0	- 42	0	0	- 42	
Transfer from reserve to retained earnings on realisations	0	0	0	- 8	0	- 8	0	0	- 8	
Issue of additional Tier-1 instruments included in equity	0	0	0	- 5	0	- 5	1 000	0	995	
Purchases/sales of treasury shares	0	0	- 180	0	0	- 180	0	0	- 180	
Liquidation of treasury shares	0	0	181	- 181	0	0	0	0	0	
Change in minorities	0	0	0	0	0	0	0	0	0	
Total change	0	0	1	458	- 238	221	1 000	0	1 221	
Balance at the end of the period	1 456	5 467	- 4	10 312	- 354	16 878	2 400	0	19 278	
of which relating to 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 obligations	Own credit risk (through OCI)	Total revaluation reserves
9M 2018 IFRS 9										
Balance at the end of the period (31-12-2017)	1 751	0	0	0	- 1 339	- 11	45	- 52	- 10	383
Impact transition to IFRS 9	- 1 751	837	387	29	0	0	0	0	0	- 499
Balance at the beginning of the period (01-01-2018) after impact IFRS 9	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	- 246	- 61	9	69	- 80	55	15	1	- 238
Subtotal	0	- 246	- 61	9	69	- 80	55	15	1	- 238
Dividends	0	0	0	0	0	0	0	0	0	0
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	0	0	0
Transfer from reserve to retained earnings on realisations	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
Purchases/sales 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	0	0	0	0	0	0	0	0	0	0
Total change	0	- 246	- 61	9	69	- 80	55	15	1	- 238
Balance at the end of the period	0	590	326	37	- 1 270	- 92	100	- 37	- 9	- 354
of which relating to equity method	0	6	0	1	0	14	0	0	0	20

	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings (AFS assets)	Revaluation reserve	Hedging reserve (cashflow hedges)	Translation differences	Hedge of net investments in foreign operations	Remeasurement of defined benefit obligations	Own credit risk (through OCI)	Total revaluation reserves	Parent share- holders' equity	Additional Tier-1 instruments included in equity	Minority interests	Additional Tier-1 instruments included in equity
9M 2017 IAS 39															
Balance at the end of the period (31-12-2016)	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	2 176	0	0	0	0	0	0	0	2 176	0	0	2 176
Other comprehensive income for the period	0	0	0	- 1	- 143	182	- 107	96	63	- 5	85	84	0	0	84
Subtotal	0	0	0	2 175	- 143	182	- 107	96	63	- 5	85	2 260	0	0	2 261
Dividends	0	0	0	- 1 171	0	0	0	0	0	0	0	- 1 171	0	0	- 1 171
Coupon additional Tier-1 instruments	0	0	0	- 39	0	0	0	0	0	0	0	- 39	0	0	- 39
Purchases of treasury shares	0	0	- 5	0	0	0	0	0	0	0	0	- 5	0	0	- 5
Total change	0	0	- 5	965	- 143	182	- 107	96	63	- 5	85	1 046	0	0	1 046
Balance at the end of the period	1 455	5 453	- 5	9 716	1 613	- 1 165	- 29	48	- 75	- 9	383	17 003	1 400	0	18 403
of which revaluation reserve for shares					472										
of which revaluation reserve for bonds					1 141										
of which relating to equity method					16	0	13			0	0	29			29

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). 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) (already deducted from retained earnings in 3Q 2018).

Also a buy-back of 2.7 million shares (roughly 0.2bn EUR) was proposed to the Annual Meeting which was approved on 3 May 2018 (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.

Condensed consolidated cash flow statement

In millions of EUR	9M 2018	9M 2017
	IFRS 9	IAS 39
Cash and cash equivalents at the beginning of the period	40 413	26 747
Net cash from (used in) operating activities	6 398	14 857
Net cash from (used in) investing activities	3 319	2 973
Net cash from (used in) financing activities	- 16	- 359
Effects of exchange rate changes on opening cash and cash equivalents	- 178	416
Cash and cash equivalents at the end of the period	49 936	44 633

The positive net cash from operating activities in 9M 2018 is mainly thanks to the realized result and lower outstanding debt securities at fair value through OCI (versus year-end 2017). Cash and cash equivalents increased substantially in 9M 2017 (versus year-end 2016) mainly thanks to the higher amount of reverse repos and cash balances at central banks. This was largely generated out of net cash from operating activities thanks to higher deposits.

The net cash flow from financing activities in 9M 2018 includes:

- the call by KBC Bank of the 1-billion-US-dollar contingent capital note (CoCo) that had been issued in January 2013 and 837 million euros dividend payment,
- the issue of covered bonds for 750 million euros,
- the issue of a green bond for 500 million euros (for more information see 'Financial assets and liabilities: breakdown by portfolio and product' (note 4.1) further in this report)
- the issue of Additional Tier-1 instruments included in equity for 1 billion euros (for more information see 'Parent shareholders' equity and AT1 instruments' (note 5.10) further in this report).
- the net decrease of senior bonds issued by KBC Ifima (about 0,7 billion euros, mainly maturities).

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 third quarter 2018 and first 9 months of 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 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: Underperforming (where lifetime expected credit losses are required to be measured); and Stage 3: Non-performing or impaired. KBC has established policies and processes to assess whether credit risk has increased significantly at the end of each reporting period and, therefore, whether 'staging' is required (i.e. moving from one stage to another). For the loan portfolio, a multi-tier approach has been adopted to staging, based on internal credit ratings, forbearance measures, collective assessment and days past due as a backstop. A similar multi-tier approach 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.
- o Hedge accounting: KBC uses the option to continue with hedge accounting under IAS 39 and awaits further developments at the IASB regarding macro hedging.
- o 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.
- o 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.
- o 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.
- o 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:

- o 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 25 million euros in 1Q 2018, 24 million euros in 2Q 2018, 26 million euros in 3Q 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 the increase in the balance sheet total at first time application due to KBC acting as a lessee is estimated at 0.4 billion euro. There is no material impact expected on parent shareholders' equity at first time application and the ongoing P&L impact is expected to be non-material.

IFRS 17

- In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 will become effective for reporting periods beginning on or after 1 January 2021 (subject to EU endorsement), with comparative figures being required. An impact study is an inherent part of the IFRS 17 project that is currently underway at KBC.

- Other
 - The IASB published several limited amendments to existing IFRSs 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).

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).

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	Business unit								Group Centre	KBC Group
	Business unit Belgium	Business unit Republic	International Markets Czech	of which: Hungary	of which: Slovakia	of which: Bulgaria	of which: Ireland			
9M 2018 IFRS 9										
Net interest income	1 928	752	674	180	158	114	222	23	3 378	
Non-life insurance before reinsurance	386	77	89	31	18	39	0	10	562	
Earned premiums Non-life	795	184	187	81	30	75	0	7	1 173	
Technical charges Non-life	- 410	- 106	- 98	- 50	- 12	- 36	0	3	- 611	
Life insurance before reinsurance	- 81	44	22	6	9	7	0	0	- 15	
Earned premiums Life	689	181	74	12	40	22	0	0	944	
Technical charges Life	- 770	- 138	- 52	- 6	- 31	- 15	0	1	- 959	
Ceded reinsurance result	- 15	- 5	- 9	- 2	- 2	- 5	0	0	- 29	
Dividend income	61	0	0	0	0	0	0	5	67	
Net result from financial instruments at fair value through profit or loss	141	68	66	49	6	9	2	- 46	229	
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	908	193	214	147	44	23	0	- 3	1 312	
Net other income	152	10	18	15	5	- 2	- 1	- 29	150	
TOTAL INCOME	3 481	1 139	1 075	427	240	186	223	- 32	5 663	
Operating expenses	- 1 943	- 542	- 676	- 262	- 152	- 108	- 153	- 78	- 3 239	
Impairment	- 44	- 32	111	7	1	7	96	24	60	
On financial assets at amortised cost and at FV through OCI	- 43	- 8	119	8	0	14	96	24	92	
On goodwill	0	0	0	0	0	0	0	0	0	
On other	- 1	- 24	- 8	- 1	0	- 7	- 1	0	- 32	
Share in results of associated companies and joint ventures	- 8	16	4	0	0	1	0	0	12	
RESULT BEFORE TAX	1 486	581	514	171	89	86	165	- 85	2 496	
Income tax expense	- 397	- 98	- 74	- 25	- 20	- 9	- 21	21	- 548	
RESULT AFTER TAX	1 089	484	440	147	69	77	144	- 64	1 949	
Attributable to minority interests	0	0	0	0	0	0	0	0	0	
NET RESULT	1 089	484	440	147	69	77	144	- 64	1 948	

In millions of EUR	Business unit								Group Centre	KBC Group
	Business unit Belgium	Business unit Republic	International Markets Czech	of which: Hungary	of which: Slovakia	of which: Bulgaria	of which: Ireland			
9M 2017 IAS 39										
Net interest income	1 825	654	609	181	158	65	206	3	3 091	
Non-life insurance before reinsurance	426	65	56	27	18	11	0	7	554	
Earned premiums Non-life	777	157	166	74	27	66	0	6	1 107	
Technical charges Non-life	- 351	- 93	- 110	- 47	- 8	- 55	0	0	- 553	
Life insurance before reinsurance	- 108	35	18	5	9	3	0	1	- 55	
Earned premiums Life	635	164	62	12	36	14	0	0	861	
Technical charges Life	- 743	- 129	- 44	- 7	- 26	- 11	0	1	- 916	
Ceded reinsurance result	- 5	- 6	11	- 1	- 1	14	0	2	2	
Dividend income	45	0	0	0	0	0	0	9	55	
Net result from financial instruments at fair value through profit or loss	390	169	72	47	12	8	5	- 9	622	
Net realised result from available-for-sale assets	89	16	3	2	0	1	0	39	148	
Net fee and commission income	977	138	166	118	38	8	- 1	- 5	1 277	
Net other income	136	36	- 52	0	6	- 4	- 55	8	128	
TOTAL INCOME	3 775	1 107	885	380	240	107	155	55	5 822	
Operating expenses	- 1 886	- 469	- 601	- 260	- 148	- 62	- 130	- 97	- 3 053	
Impairment	- 92	- 13	150	9	- 9	- 11	162	- 13	32	
On loans and receivables	- 75	- 7	152	10	- 9	- 11	162	- 13	57	
On available-for-sale assets	- 8	0	- 1	0	0	- 1	0	0	- 9	
On goodwill	0	0	0	0	0	0	0	0	0	
On other	- 9	- 6	- 1	- 1	0	0	0	0	- 16	
Share in results of associated companies and joint ventures	- 4	17	4	0	0	1	0	0	0	
RESULT BEFORE TAX	1 793	642	438	129	82	35	188	- 55	2 818	
Income tax expense	- 553	- 108	- 68	- 22	- 19	- 3	- 23	88	- 641	
RESULT AFTER TAX	1 240	534	370	107	63	31	164	32	2 176	
Attributable to minority interests	0	0	0	0	0	0	0	0	0	
NET RESULT	1 240	534	370	107	63	31	164	32	2 176	

Other notes

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

In millions of EUR	9M 2018	9M 2017	3Q 2018	2Q 2018	3Q 2017
	IFRS 9	IAS 39	IFRS 9	IFRS 9	IAS 39
Total	3 378	3 091	1 136	1 117	1 039
Interest income	5 148	4 747	1 754	1 712	1 605
Interest income on financial instruments calculated using effective interest rate method					
Loans and receivables	-	2 854	-	-	976
Held-to-maturity investments	-	645	-	-	207
Financial assets at amortised cost	3 871	-	1 304	1 286	-
Available-for-sale assets	-	492	-	-	165
Financial assets at fair value through OCI	328	-	130	97	-
Derivatives under hedge accounting	296	192	125	121	65
Other assets not at fair value	51	119	14	19	44
Interest income on other financial instruments					
Financial assets mandatorily at fair value other than HFT	6	1	2	2	0
Financial assets held for trading	595	440	179	187	145
<i>of which economic hedge</i>	576	422	173	180	139
Other financial assets at fair value through profit or loss	0	4	0	0	2
Interest expense	-1 771	-1 655	- 618	- 595	- 566
Interest expense on financial instruments calculated using effective interest rate method					
Financial liabilities measured at amortised cost	- 817	- 714	- 298	- 263	- 249
Derivatives under hedge accounting	- 429	- 358	- 163	- 164	- 126
Other	- 97	- 68	- 37	- 31	- 28
Interest expense on other financial instruments					
Financial liabilities held for trading	- 404	- 488	- 112	- 130	- 154
<i>of which economic hedge</i>	- 383	- 472	- 106	- 124	- 148
Financial liabilities designated at fair value through profit or loss	- 20	- 23	- 7	- 7	- 7
Net interest expense on defined benefit plans	- 4	- 5	- 1	- 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 3Q 2018 is 24 million euros higher compared to 2Q 2018. The quarter-on-quarter increase is due to:

- Positive market value adjustments in 3Q 2018 compared to negative market value adjustments in 2Q 2018
- Positive MTM ALM derivatives in 3Q 2018 compared to negative MTM ALM derivatives in 2Q 2018

Partly offset by

- A lower dealing room income, mainly in Belgium and in Czech Republic
- Lower results of the overlay approach equity instruments insurance.

Compared to 3Q 2017, the result from financial instruments at fair value through profit or loss is 104 million euros lower in 3Q 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 75 million euros in 3Q 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 25 million euros in 3Q 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 (+12 million euros in 3Q 2017).
- Excluding these items the result from financial instruments at fair value through profit or loss in 3Q 2018 is 15 million euros lower compared to 3Q 2017, mainly explained by:
 - Lower dealing room income in Czech Republic, partly compensated by higher dealingroom income in Belgium
 - Lower results of the overlay approach equity instruments insurance.
 - Partly compensated by
 - Higher positive market value adjustments in 3Q 2018 compared to 3Q 2017.

The result from financial instruments at fair value through profit or loss in 9M 2018 is 393 million euros lower compared to 9M 2017, for a large part explained by:

- Presentation changes :
 - Shift of interest accruals for FX derivatives (197 million euros in 9M 2017) and network income (74 million euros in 9M 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 (53 million euros in 9M 2017).
- Excluding these items, the result from financial instruments at fair value through profit or loss in 9M 2018 is 175 million euros lower compared to 9M 2017, mainly explained by:
 - Only very slightly positive MTM ALM derivatives in 9M 2018 compared to very high positive MTM ALM derivatives in 9M 2017 (mainly as a result of CZK/EUR spread tightening in 9M 2017),
 - Lower dealing room income in Czech Republic and Belgium,
 - Slightly negative market value adjustments in 9M 2018 compared to positive market value adjustments in 9M 2017

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

In millions of EUR	9M 2018	9M 2017	3Q 2018	2Q 2018	3Q 2017
	IFRS 9	IAS 39	IFRS 9	IFRS 9	IAS 39
Total	1 312	1 277	424	438	408
Income	1 853	1 974	606	600	606
Expense	- 541	- 697	- 182	- 161	- 198
Breakdown by type					
Asset Management Services	855	931	275	281	295
Income	897	973	289	295	308
Expense	- 42	- 41	- 15	- 14	- 13
Banking Services	658	561	219	223	187
Income	910	957	304	288	283
Expense	- 252	- 397	- 85	- 65	- 96
Distribution	- 200	- 215	- 70	- 66	- 74
Income	47	44	13	17	15
Expense	- 247	- 259	- 83	- 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 24 million euros in 2Q 2018 and 26 million euros in 3Q 2018, before tax; for 9M 2018 network income amounts to 75 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	9M 2018	9M 2017	3Q 2018	2Q 2018	3Q 2017
	IFRS 9	IAS 39	IFRS 9	IFRS 9	IAS 39
Total	150	128	56	23	4
Of which net realised result following					
The sale of loans and receivables	-	2	-	-	0
The sale of held-to-maturity investments	-	2	-	-	0
The sale of financial assets at amortised cost	17	-	5	11	-
The repurchase of financial liabilities measured at amortised cost	0	0	0	0	0
Other: of which:	133	124	51	12	4
Income concerning leasing at the KBC Lease-group	54	59	20	17	19
Income from Group VAB	44	49	14	15	13
Tracker mortgage review provision	0	- 54	0	0	- 54
One-off fee paid (Bulgaria)	0	- 5	0	0	- 5
Settlement of an old legal file	- 15	14	5	- 38	0

Note : settlement of old legal files concerns Group Centre (in 2Q 2018 and 3Q 2018), Belgium (in 1Q 2018) 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
9M 2018 IFRS 9				
Earned premiums, insurance (before reinsurance)	945	1 187		2 132
Technical charges, insurance (before reinsurance)	- 959	- 612		- 1 571
Net fee and commission income	- 18	- 231		- 249
Ceded reinsurance result	- 1	- 28		- 29
Operating expenses	- 116	- 190	- 2	- 308
Internal costs claim paid	- 7	- 44		- 51
Administration costs related to acquisitions	- 25	- 56		- 81
Administration costs	- 84	- 90		- 174
Management costs investments	0	0	- 2	- 2
Technical result	- 148	127	- 2	- 24
Net interest income			379	379
Dividend income			45	45
Net result from financial instruments at fair value			68	68
Net realised result from FVOCI assets			1	1
Net other income			3	3
Impairments			1	1
Allocation to the technical accounts	397	63	- 460	0
Technical-financial result	249	189	37	475
Share in results of associated companies and joint ventures			3	3
RESULT BEFORE TAX	249	189	40	478
Income tax expense				- 111
RESULT AFTER TAX	249	189	40	366
attributable to minority interest				0
attributable to equity holders of the parent				366
9M 2017 IAS 39				
Earned premiums, insurance (before reinsurance)	862	1 122		1 985
Technical charges, insurance (before reinsurance)	- 916	- 553		- 1 470
Net fee and commission income	- 10	- 216		- 226
Ceded reinsurance result	2	1		2
Operating expenses	- 106	- 184	- 2	- 292
Internal costs claim paid	- 6	- 43		- 49
Administration costs related to acquisitions	- 23	- 55		- 78
Administration costs	- 76	- 86		- 163
Management costs investments	0	0	- 2	- 2
Technical result	- 168	169	- 2	0
Net interest income			428	428
Dividend income			33	33
Net result from financial instruments at fair value			- 3	- 3
Net realised result from AFS assets			63	63
Net other income			- 10	- 10
Impairments			- 9	- 9
Allocation to the technical accounts	404	68	- 472	0
Technical-financial result	236	238	28	502
Share in results of associated companies and joint ventures			3	3
RESULT BEFORE TAX	236	238	31	505
Income tax expense				- 145
RESULT AFTER TAX	236	238	31	360
attributable to minority interest				0
attributable to equity holders of the parent				360

Note: Figures for premiums exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 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 3Q 2018 include 26 million euros related to bank (and insurance) levies (24 million euros in 2Q 2018; 18 million euros in 3Q 2017; 421 million euros in 9M 2018 and 398 million euros in 9M 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	9M 2018	9M 2017	3Q 2018	2Q 2018	3Q 2017
	IFRS 9	IAS 39	IFRS 9	IFRS 9	IAS 39
Total	60	32	2	1	- 31
Impairment on financial assets at amortised cost (IAS 39: loans and receivables)	90	57	8	19	- 15
Breakdown by product					
Loans and advances	82	115	14	21	16
Debt securities	1	0	1	0	-
Provision for off-balance sheet commitments	6	- 58	- 7	- 2	- 31
Breakdown by type					
Loss allowance measured as 12 month ECL - stage 1	- 19	-	- 9	- 8	-
Loss allowance measured as lifetime ECL - stage 2	33	-	- 15	15	-
Loss allowance measured as lifetime ECL - stage 3	87	-	43	10	-
Purchased or originated credit-impaired (including off-balance-sheet credit commitments)	- 11	-	- 12	2	-
Specific impairments for on-balance-sheet lending	-	88	-	-	5
Provisions for off-balance-sheet credit commitments (*)	-	- 58	-	-	- 31
Portfolio-based impairments	-	27	-	-	11
Impairment on financial assets at fair value through OCI (IAS 39: available-for-sale assets)	3	- 9	1	2	- 6
Breakdown by type					
Equity instruments (2017: Shares) (**)	0	- 9	0	0	- 6
Debt securities (2017: Other)	3	0	1	2	0
- Loss allowance measured as 12 month ECL - stage 1	2	-	0	2	-
- Loss allowance measured as lifetime ECL - stage 2	0	-	0	1	-
- Loss allowance measured as lifetime ECL - stage 3	0	-	0	0	-
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 32	- 16	- 6	- 20	- 11
Intangible assets, other than goodwill	0	- 1	0	0	- 1
Property and equipment and investment property	- 32	- 12	- 6	- 20	- 8
Held-to-maturity assets (IAS 39)	-	0	-	-	0
Modification gains/losses	0	0	0	0	0
Associated companies and joint ventures	0	0	0	0	0
Other	0	- 3	- 1	1	- 2

* 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 9M 2018 has been positively impacted by these changes by roughly 90 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	Fair value through OCI	Mandatorily at fair value through profit and loss other			Designated at fair value through profit and loss			Hedging derivatives	Total
			Held for trading	Held for trading	Available for sale	Loans and receivables	Held to maturity			
FINANCIAL ASSETS, 30-09-2018 (IFRS 9)										
Loans and advances to credit institutions and investment firms excluding reverse repos	4 784	0	0	1	-	-	-	-	0	4 784
Loans and advances to customers excluding reverse repos	145 895	0	86	17	-	-	-	13	0	146 011
Trade receivables	3 985	0	0	0	-	-	-	0	0	3 985
Consumer credit	4 253	0	0	0	-	-	-	0	0	4 253
Mortgage loans	60 884	0	71	0	-	-	-	0	0	60 954
Term loans	65 051	0	15	0	-	-	-	13	0	65 078
Finance leasing	5 569	0	0	0	-	-	-	0	0	5 569
Current account advances	5 150	0	0	0	-	-	-	0	0	5 150
Other	1 004	0	0	17	-	-	-	0	0	1 021
Reverse repos	27 622	0	0	486	-	-	-	0	0	28 108
Reverse repos to credit institutions and investment firms	26 920	0	0	486	-	-	-	0	0	27 406
Reverse repos to customers	703	0	0	0	-	-	-	0	0	703
Equity instruments	0	283	1 308	777	-	-	-	-	-	2 368
Investment contracts (insurance)	-	-	14 319	-	-	-	-	-	-	14 319
Debt securities issued by	41 345	18 021	52	1 245	-	-	-	0	0	60 662
Public bodies	35 405	11 837	0	1 093	-	-	-	0	0	48 335
Credit institutions and investment firms	2 993	2 572	0	71	-	-	-	0	0	5 636
Corporates	2 946	3 613	52	81	-	-	-	0	0	6 691
Derivatives	-	-	-	5 205	-	-	-	-	223	5 428
Other	1 177	0	0	2	-	-	-	0	0	1 179
Total carrying value	220 823	18 304	15 764	7 733	-	-	-	13	223	262 859

FINANCIAL ASSETS, 31-12-2017 (IAS 39)										
Loans and advances to credit institutions and investment firms excluding reverse repos	-	-	-	1	0	4 877	-	0	0	4 878
Loans and advances to customers excluding reverse repos	-	-	-	0	0	140 960	-	38	0	140 999
Trade receivables	-	-	-	0	0	3 986	-	0	0	3 986
Consumer credit	-	-	-	0	0	3 857	-	0	0	3 857
Mortgage loans	-	-	-	0	0	60 601	-	23	0	60 625
Term loans	-	-	-	0	0	61 824	-	15	0	61 839
Finance leasing	-	-	-	0	0	5 308	-	0	0	5 308
Current account advances	-	-	-	0	0	4 728	-	0	0	4 728
Other	-	-	-	0	0	656	-	0	0	656
Reverse repos	-	-	-	2	0	20 074	-	0	0	20 076
Reverse repos to credit institutions and investment firms	-	-	-	2	0	19 570	-	0	0	19 572
Reverse repos to customers	-	-	-	0	0	504	-	0	0	504
Equity instruments	-	-	-	508	1 658	-	-	-	-	2 165
Investment contracts (insurance)	-	-	-	-	-	-	-	14 421	-	14 421
Debt securities 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	-	-	-	-	245	6 010
Other	-	-	-	0	0	626	-	0	0	626
Total carrying value	-	-	-	7 431	34 156	167 458	30 979	14 484	245	254 753

In millions of EUR	Amortised cost	Held for trading	Designated at fair value through profit and loss	Hedging derivatives	Total
FINANCIAL LIABILITIES, 30-09-2018					
Deposits from credit institutions and investment firms excluding repos	31 381	0	25	0	31 406
Deposits from customers and debt certificates excluding repos	192 150	239	1 667	0	194 056
Demand deposits	79 313	0	0	0	79 313
Time deposits	18 169	56	300	0	18 525
Saving accounts	59 411	0	0	0	59 411
Special deposits	2 451	0	0	0	2 451
Other deposits	386	0	0	0	386
Certificates of deposit	15 309	0	8	0	15 317
Customer savings certificates	1 697	0	0	0	1 697
Convertible bonds	0	0	0	0	0
Non-convertible bonds	13 001	183	1 174	0	14 357
Convertible subordinated liabilities	0	0	0	0	0
Non-convertible subordinated liabilities	2 413	0	186	0	2 600
Repos	13 830	398	0	0	14 228
Repos from credit institutions	11 118	398	0	0	11 516
Repos from customers	2 712	0	0	0	2 712
Liabilities under investment contracts	0	0	13 444	0	13 444
Derivatives	0	4 819	0	1 167	5 986
Short positions	0	521	0	0	521
in equity instruments	0	22	0	0	22
in debt instruments	0	499	0	0	499
Other	3 458	4	0	0	3 462
Total carrying value	240 818	5 981	15 137	1 167	263 103

FINANCIAL LIABILITIES, 31-12-2017					
Deposits from credit institutions and investment firms excluding repos	27 746	3	12	0	27 761
Deposits from customers and debt certificates excluding repos	192 019	219	1 470	0	193 708
Demand deposits	73 606	0	0	0	73 606
Time deposits	18 983	11	403	0	19 397
Saving accounts	56 692	0	0	0	56 692
Special deposits	2 235	0	0	0	2 235
Other deposits	549	0	0	0	549
Certificates of deposit	22 579	0	14	0	22 593
Customer savings certificates	1 721	0	0	0	1 721
Convertible bonds	0	0	0	0	0
Non-convertible bonds	12 323	208	866	0	13 397
Convertible subordinated liabilities	0	0	0	0	0
Non-convertible subordinated liabilities	3 330	0	186	0	3 516
Repos	5 835	0	0	0	5 836
Repos from credit institutions	5 575	0	0	0	5 575
Repos from customers	260	0	0	0	260
Liabilities under investment contracts	0	0	13 552	0	13 552
Derivatives	0	5 868	0	1 284	7 152
Short positions	0	905	0	0	905
in equity instruments	0	13	0	0	13
in debt instruments	0	892	0	0	892
Other	2 344	3	0	0	2 347
Total carrying value	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), 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 is expected in 4Q 2018.

This loan portfolio was reclassified to 'non-current assets held-for-sale and disposal groups' in 3Q 2018. This reclassification disturbs the comparison with 31/12/2017 figures for term loans and mortgage loans. Including the reclassified portfolio, figures 30 September 2018 are as follows : 146 958 million euros for loans and advances to customers excluding reverse repos and 61 634 million euros for mortgage loans.

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

in millions of EUR	Gross carrying amount	Impairment	30-09-2018		30-06-2018	
			Carrying amount	Gross carrying amount	Impairment	Carrying amount
Financial assets at Amortised cost						
Loans and advances	182 027	- 3 725	178 301	180 217	- 4 611	175 606
- Subject to 12month ECL - performing (Stage 1)	158 926	- 113	158 813	155 487	- 107	155 380
- Subject to Lifetime ECL - underperforming (Stage 2)	16 138	- 313	15 825	15 909	- 306	15 602
- Subject to Lifetime ECL - non-performing (Stage 3)	6 807	- 3 252	3 554	8 652	- 4 144	4 508
- Purchased or originated credit-impaired	155	- 47	109	168	- 53	115
Debt Securities	41 356	- 11	41 345	42 362	- 13	42 349
- Subject to 12month ECL - performing (Stage 1)	41 120	- 4	41 115	42 118	- 5	42 113
- Subject to Lifetime ECL - underperforming (Stage 2)	229	- 1	228	236	- 2	234
- Subject to Lifetime ECL - non-performing (Stage 3)	7	- 6	2	9	- 6	2
- Purchased or originated credit-impaired	0	0	0	0	0	0
Financial instruments at FV through OCI						
Debt Securities	18 027	- 6	18 021	18 175	- 6	18 168
- Subject to 12month ECL - performing (Stage 1)	17 786	- 4	17 782	17 971	- 4	17 967
- Subject to Lifetime ECL - underperforming (Stage 2)	240	- 2	238	204	- 2	202
- Subject to Lifetime ECL - non-performing (Stage 3)	0	0	0	0	0	0
- Purchased or originated credit-impaired	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 In millions of EUR	30-09-2018				31-12-2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Mandatorily at fair value other than held for trading	15 202	409	153	15 764	-	-	-	-
Held for trading	1 458	4 869	1 406	7 733	1 122	4 402	1 907	7 431
Designated at fair value	0	13	0	13	13 949	525	10	14 484
Fair value through OCI	14 210	3 667	427	18 304	-	-	-	-
Available for sale	-	-	-	-	26 374	6 812	970	34 156
Hedging derivatives	0	223	0	223	0	245	0	245
Total	30 870	9 181	1 985	42 037	41 445	11 984	2 887	56 316
Financial liabilities measured at fair value								
Held for trading	503	3 537	1 941	5 981	909	3 872	2 218	6 998
Designated at fair value	13 428	885	823	15 137	13 544	904	585	15 034
Hedging derivatives	0	1 167	0	1 167	0	1 284	0	1 284
Total	13 931	5 589	2 765	22 285	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)

In the first 9 months of 2018, a total amount of 402 million euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred 746 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 the first 9 months of 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 424 million euros, which is mainly due to maturing deals and fair value movements, slightly compensated by new positions.
- In the fair value OCI category the fair value decreased by 388 million euros, which is mainly due to a decrease in debt securities
 - The fair value of debt securities in FVOCI decreased by 405 million euro, largely due to a transfer out of level 3 (net amount of 385 million euros). The majority of the transfers is due to changed liquidity of bonds. This decrease is enhanced by maturing deals, sales and fair value movements (-44 million) and partially offset by purchases (+31 million).
 - The fair value of unquoted equity instruments in FVOCI increased by 17 million euros
- In the liabilities held for trading category, the fair value decreased by 277 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 459 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 182 million euro due to transfers into level 3.
- In the liabilities designated at fair value category, the fair value debt securities issued increased by 238 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	30-09-2018 IFRS 9	31-12-2017 IAS 39
Ordinary shares	415 897 567	418 597 567
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	415 897 567	418 597 567
<i>of which treasury shares</i>	57 473	64 847
Other information		
Par value per ordinary 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. Any decision to call the existing AT1 Securities will be taken in the context of KBC's financial position and other factors at the relevant time and will be subject to any required regulatory and other approvals and pre-conditions being satisfied.

On May 17, 2018 KBC Group NV announced a share buyback programme for the purpose of cancelling the shares. The shares were bought back under the conditions specified in the authorisation granted by the Extraordinary General Meeting of 3 May 2018. A total number of 2.700.000 of own shares were bought between 22-05-2018 and 03-07-2018 inclusive, for a total amount of 181 million euros.

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. The capital remains unchanged at 1 456 074 585.67 euros.

The treasury shares at YE 2017 and 30 September 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 9M 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)

None



REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018 AND FOR THE NINE-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 September 2018 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the nine-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 304.740 million and a consolidated profit (share of the Group) for the nine-month period then ended of EUR 1.948 million.

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

Scope of Review

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

PwC Bedrijfsrevisoren c.vba - PwC Reviseurs d'Entreprises scrl - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB /
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Conclusion

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

Sint-Stevens-Woluwe, 14 November 2018

The statutory auditor
PwC Bedrijfsrevisoren nvba
represented by

A blue ink signature of the name 'Roland Jeanquart'.

Roland Jeanquart
Accredited auditor

A blue ink signature of the name 'Tom Meuleman'.

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 3Q 2018 and 9M 2018



Section not reviewed by the Auditor

Note: 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 (0.9 billion euros after impairments). This loan portfolio has been reclassified on the balance sheet to 'Non-current assets held for sale and disposal groups'. Consequently, this portfolio is no longer included in note 4.0, but all other reported notes and ratios still include the related portfolio. The closing date is expected in 4Q 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)

	30-09-2018	31-12-2017
Portfolio outstanding + undrawn ¹	208	191
Portfolio outstanding ¹	167	154
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	63%
Czech Republic	16%	16%
International Markets	17%	18%
Group Centre	2%	3%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	39.8%	42.1%
Finance and insurance	7.3%	5.2%
Authorities	3.8%	2.8%
Corporates	49.1%	49.8%
services	11.2%	11.6%
distribution	7.3%	7.6%
real estate	6.9%	7.0%
building & construction	4.0%	4.2%
agriculture, farming, fishing	2.7%	2.8%
automotive	2.3%	2.3%
electricity	1.6%	1.7%
food producers	1.6%	1.5%
metals	1.5%	1.4%
chemicals	1.2%	1.2%
machinery & heavy equipment	1.1%	1.1%
shipping	1.0%	1.2%
traders	0.9%	1.0%
hotels, bars & restaurants	0.8%	0.8%
oil, gas & other fuels	0.7%	0.7%
textile & apparel	0.6%	0.5%
electrotechnics	0.6%	0.6%
other ²	3.1%	2.6%
Total outstanding loan portfolio geographical breakdown		
Home countries	86.3%	88.5%
Belgium	53.7%	56.5%
Czech Republic	15.2%	14.8%
Ireland	7.4%	7.8%
Slovakia	4.8%	4.9%
Hungary	3.1%	3.3%
Bulgaria	2.0%	2.1%
Rest of Western Europe	8.2%	7.4%
France	1.9%	1.9%
Netherlands	1.6%	1.6%
Great Britain	1.3%	1.1%
Spain	0.5%	0.5%
Luxemburg	1.0%	0.6%
Germany	0.6%	0.6%
other	1.3%	1.1%
Rest of Central Europe	0.5%	0.4%
Russia	0.2%	0.1%
other	0.4%	0.4%
North America	1.5%	1.4%
USA	1.2%	1.1%
Canada	0.3%	0.3%
Asia	1.6%	0.8%
China	0.8%	0.3%
Hong Kong	0.3%	0.2%
Singapore	0.2%	0.2%
other	0.3%	0.1%
Rest of the world	1.9%	1.4%

	30-09-2018	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)	83%	
of which: PD 1 - 4	62%	
of which: PD 5 - 9 including unrated	20%	
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI ⁴	12%	
of which: PD 1 - 4	3%	
of which: PD 5 - 9 including unrated	8%	
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI ⁴	5%	
of which: PD 10 – 12 (impaired loans)	5%	
Impaired loans (in millions of EUR or %)		
Amount outstanding	9 103	9 186
of which: more than 90 days past due	5 317	5 242
Ratio of impaired loans, per business unit		
Belgium	2.4%	2.8%
Czech Republic	2.3%	2.4%
International Markets	18.9%	19.7%
Group Centre	11.6%	9.8%
Total	5.5%	6.0%
of which: more than 90 days past due	3.2%	3.4%
Stage 3 loan loss impairments (in millions of EUR) and Cover ratio (%)		
Stage 3 loan loss impairments	4 296	4 039
of which: more than 90 days past due	3 551	3 361
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	47%	44%
of which: more than 90 days past due	67%	64%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	55%	54%
of which: more than 90 days past due	73%	73%
Credit cost, by business unit (%)		
Belgium	0.06%	0.09%
Czech Republic	0.04%	0.02%
International Markets	-0.56%	-0.74%
Slovakia	-0.01%	0.16%
Hungary	-0.21%	-0.22%
Bulgaria	-0.57%	0.83%
Ireland	-1.03%	-1.70%
Group Centre	-0.77%	0.40%
Total	-0.07%	-0.06%

¹ Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; 30-09-2018 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
30-09-2018, in millions of EUR

	Belgium ¹		Foreign branches		Total Business Unit Belgium	
Total portfolio outstanding	100 270		7 635		107 905	
Counterparty break down	% outst.		% outst.		% outst.	
SME / corporate	34 895	34.8%	7 635	100.0%	42 530	39.4%
retail	65 374	65.2%	0	0.0%	65 374	60.6%
o/w private	35 393	35.3%	0	0.0%	35 393	32.8%
o/w companies	29 981	29.9%	0	0.0%	29 981	27.8%
Mortgage loans ²	% outst.		ind. LTV		% outst.	
total	33 727	33.6%	57%	0	0.0%	-
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w ind. LTV > 100%	837	0.8%	-	0	0.0%	-
Probability of default (PD)	% outst.		% outst.		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	75 944	75.7%	4 842	63.4%	80 786	74.9%
medium risk (PD 5-7; 0.80%-6.40%)	18 685	18.6%	2 399	31.4%	21 083	19.5%
high risk (PD 8-9; 6.40%-100.00%)	2 869	2.9%	114	1.5%	2 983	2.8%
impaired loans (PD 10 - 12)	2 359	2.4%	267	3.5%	2 626	2.4%
unrated	413	0.4%	13	0.2%	426	0.4%
Overall risk indicators	stage 3 imp.		% cover		stage 3 imp.	
outstanding impaired loans	2 359	1 028	43.6%	267	139	52.0%
o/w PD 10 impaired loans	1 053	211	20.0%	182	74	40.5%
o/w more than 90 days past due (PD 11+12)	1 306	817	62.5%	85	65	76.7%
all impairments (stage 1+2+3)	n.a.		n.a.		1 352	
o/w stage 1+2 impairments (incl. POCI)	n.a.		n.a.		186	
o/w stage 3 impairments (incl. POCI)	1 028		139		1 167	
2017 Credit cost ratio (CCR)	0.08%		0.19%		0.09%	
YTD 2018 CCR	0.09%		-0.05%		0.06%	

Remarks

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

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

Loan portfolio Business Unit Czech Republic

30-09-2018, in millions of EUR

For information: ČMSS³ (consolidated via equity-method)

Total portfolio outstanding	26 450			2 480		
Counterparty break down		% outst.			% outst.	
SME / corporate	8 919	33.7%		0	0.0%	
retail	17 531	66.3%		2 480	100.0%	
o/w private	12 644	47.8%		2 468	99.5%	
o/w companies	4 887	18.5%		12	0.5%	
Mortgage loans ¹		% outst.	ind. LTV		% outst.	ind. LTV
total	11 387	43.1%	64%	1 939	78.2%	62%
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w ind. LTV > 100%	253	1.0%	-	59	2.4%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	16 991	64.2%		1 612	65.0%	
medium risk (PD 5-7; 0.80%-6.40%)	7 571	28.6%		632	25.5%	
high risk (PD 8-9; 6.40%-100.00%)	882	3.3%		121	4.9%	
impaired loans (PD 10 - 12)	617	2.3%		115	4.6%	
unrated	389	1.5%		0	0.0%	
Overall risk indicators ²		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	617	297	48.1%	115	45	39.2%
o/w PD 10 impaired loans	246	49	19.8%	19	3	15.2%
o/w more than 90 days past due (PD 11+12)	371	248	66.9%	96	42	43.9%
all impairments (stage 1+2+3)	386			53		
o/w stage 1+2 impairments (incl. POCI)	89			8		
o/w stage 3 impairments (incl. POCI)	297			45		
2017 Credit cost ratio (CCR)		0.02%			0.16%	
YTD 2018 CCR		0.04%			0.11%	

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

² CCR at country level in local currency

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

Loan portfolio Business Unit International Markets
30-09-2018, in millions of EUR

	Ireland	Slovakia	Hungary	Bulgaria	Total Int Markets			
Total portfolio outstanding	12 330	7 753	5 105	3 394	28 581			
Counterparty break down	% outst.	% outst.	% outst.	% outst.	% outst.			
SME / corporate	1 085 8.8%	2 990 38.6%	3 056 59.9%	1 080 31.8%	8 211 28.7%			
retail	11 245 91.2%	4 762 61.4%	2 049 40.1%	2 314 68.2%	20 370 71.3%			
o/w private	11 236 91.1%	3 868 49.9%	1 880 36.8%	1 287 37.9%	18 271 63.9%			
o/w companies	9 0.1%	895 11.5%	169 3.3%	1 027 30.3%	2 100 7.3%			
Mortgage loans¹	% outst.	ind. LTV	% outst.	ind. LTV	% outst.			
total	11 181 90.7%	73%	3 358 43.3%	65%	1 694 33.2%			
o/w FX mortgages	0 0.0%	-	0 0.0%	-	10 0.2%			
o/w ind. LTV > 100%	1 448 11.7%	-	21 0.3%	-	205 4.0%			
Probability of default (PD)	% outst.		% outst.		% outst.			
low risk (PD 1-4; 0.00%-0.80%)	893 7.2%		4 731 61.0%		2 622 51.4%			
medium risk (PD 5-7; 0.80%-6.40%)	6 160 50.0%		2 291 29.5%		1 976 38.7%			
high risk (PD 8-9; 6.40%-100.00%)	967 7.8%		509 6.6%		207 4.0%			
impaired loans (PD 10-12)	4 310 35.0%		184 2.4%		300 5.9%			
unrated	0 0.0%		37 0.5%		1 0.0%			
Overall risk indicators²	stage 3 imp.	% cover	stage 3 imp.	% cover	stage 3 imp.	% cover	stage 3 imp.	% cover
outstanding impaired loans	4 310 1 784	41.4%	184 134	72.4%	300 199	66.4%	615 353	57.4%
o/w PD 10 impaired loans	2 074 360	17.3%	25 12	46.8%	44 17	38.4%	69 9	13.5%
o/w more than 90 days past due (PD 11+12)	2 236 1 425	63.7%	160 122	76.3%	256 182	71.3%	547 344	62.9%
all impairments (stage 1+2+3)	1 823		180		223		383	
o/w stage 1+2 impairments (incl. POCI)	52		46		23		30	
o/w stage 3 impairments (incl. POCI)	1 784		134		199		353	
2017 Credit cost ratio (CCR)	-1.70%		0.16%		-0.22%		0.83%	
YTD 2018 CCR	-1.03%		-0.01%		-0.21%		-0.57%	

Remarks

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

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

² CCR at country level in local currency

Loan portfolio Group Centre
30-09-2018, in millions of EUR

Total Group Centre¹

Total portfolio outstanding		3 886	
Counterparty break down		% outst.	
SME / corporate		3 886	100.0%
retail		0	0.0%
o/w private		0	0.0%
o/w companies		0	0.0%
Mortgage loans²		% 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%)		2 983	76.8%
medium risk (PD 5-7; 0.80%-6.40%)		366	9.4%
high risk (PD 8-9; 6.40%-100.00%)		86	2.2%
impaired loans (PD 10 - 12)		451	11.6%
unrated		0	0.0%
Overall risk indicators		stage 3 imp. % cover	
outstanding impaired loans		451	363 80.5%
o/w PD 10 impaired loans		93	14 15.1%
o/w more than 90 days past due (PD 11+12)		357	348 97.5%
all impairments (stage 1+2+3)		408	
o/w stage 1+2 impairments (incl. POCI)		45	
o/w stage 3 impairments (incl. POCI)		363	
2017 Credit cost ratio (CCR)		0.40%	
YTD 2018 CCR		-0.77%	

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)

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

Solvency

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

Solvency KBC Group

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 92% of the weighted credit risks, of which approx. 86% according to Advanced and approx. 6% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The 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%. For further information see press release of 22 February 2018 on www.kbc.com.

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 - 30-09-2018

		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	15 018	93 980	15,98%
Deduction Method	Fully loaded	14 054	88 609	15,86%
Financial Conglomerates Directive	Fully loaded	16 205	106 996	15,15%

Danish Compromise

			30-09-2018	31-12-2017	Pro forma (**)
			Fully loaded	Fully loaded	31-12-2017
In millions of EUR					
Total regulatory capital (after profit appropriation)			19 624	18 706	18 348
Tier-1 capital			17 418	16 504	16 099
Common equity			15 018	15 104	14 699
Parent shareholders' equity (after deconsolidating KBC Insurance)			16 326	16 841	16 244
Intangible fixed assets (incl deferred tax impact) (-)			- 541	- 475	- 475
Goodwill on consolidation (incl deferred tax impact) (-)			- 601	- 604	- 604
Minority interests			0	0	0
Hedging reserve (cash flow hedges) (-)			1 269	1 339	1 339
Valuation diff. in fin. liabilities at fair value - own credit risk (-)			- 11	- 1	- 1
Value adjustment due to the requirements for prudent valuation (-)			- 53	- 124	- 77
Dividend payout (-)			- 534	- 837	- 837
Share buyback (part not yet executed) (-)			0	0	0
Renumeration of AT1 instruments (-)			- 15	- 2	- 2
Deduction re. financing provided to shareholders (-)			- 92	- 91	- 91
Deduction re. Irrevocable payment commitments (-)			- 32		
IRB provision shortfall (-)			- 82	- 268	- 84
Deferred tax assets on losses carried forward (-)			- 616	- 672	- 712
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)			0	0	0
Additional going concern capital			2 400	1 400	1 400
Grandfathered innovative hybrid tier-1 instruments			0	0	0
CRR compliant AT1 instruments (***)			2 400	1 400	1 400
Minority interests to be included in additional going concern capital			0	0	0
Tier 2 capital			2 206	2 202	2 249
IRB provision excess (+)			352	316	363
Subordinated liabilities			1 855	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			93 980	92 410	92 276
Banking			84 637	83 117	
Insurance			9 133	9 133	
Holding activities			230	202	
Elimination of intercompany transactions			- 21	- 43	
Solvency ratios					
Common equity ratio				15,98%	15,93%
Tier-1 ratio				18,53%	17,45%
Total capital ratio (*)				20,88%	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. The impact of the CoCo call is largely offset by the successful issue of a Tier 2 benchmark issue in September 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

Leverage ratio KBC Group

	Leverage ratio KBC Group (Basel III fully loaded)	30-09-2018	31-12-2017
In millions of EUR			
Tier-1 capital (Danish compromise)		17 418	16 504
Total exposures		286 388	272 373
Total Assets		304 740	292 342
Deconsolidation KBC Insurance		-32 142	-32 802
Adjustment for derivatives		-3 250	-3 908
Adjustment for regulatory corrections in determining Basel III Tier-1 capital		-2 017	-2 235
Adjustment for securities financing transaction exposures		1 239	816
Off-balance sheet exposures		17 817	18 160
Leverage ratio		6,08%	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	30-09-2018	31-12-2017
	Fully loaded	Fully loaded
Total regulatory capital, after profit appropriation	16 885	15 756
Tier-1 capital	14 605	13 484
Of which common equity	12 199	12 077
Tier-2 capital	2 280	2 273
Total weighted risks	84 637	83 117
Credit risk	70 733	68 842
Market risk	2 991	3 361
Operational risk	10 913	10 913
Solvency ratios		
Common equity ratio	14,4%	14,5%
Tier-1 ratio	17,3%	16,2%
CAD ratio (*)	19,9%	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.

Solvency II, KBC Insurance consolidated

In millions of EUR	30-09-2018	31-12-2017
Own Funds	3 825	3 865
Tier 1	3 325	3 365
IFRS Parent shareholders equity	3 036	3 051
Dividend payout	- 346	- 8
Deduction intangible assets and goodwill (after tax)	- 131	- 128
Valuation differences (after tax)	587	403
Volatility adjustment	178	43
Other	1	3
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 772	1 823
Market risk	1 531	1 602
Non-life	541	535
Life	658	630
Health	170	178
Counterparty	112	107
Diversification	- 913	- 905
Other	- 328	- 324
Solvency II ratio	216%	212%
Solvency surplus vs 100%	2 053	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 30-09-2018, the MREL ratio based on instruments issued by KBC Group NV ('HoldCo MREL') stood at 25.1% of risk weighted assets. Based on the broader SRB definition including also eligible OpCo instruments, the MREL ratio amounts to 26.4%. SRB requires KBC to achieve 25.9% 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

Breakdown P&L (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	637	642	649	569	589
Non-life insurance before reinsurance	139	144	103	100	153
Earned premiums Non-life	271	265	259	265	263
Technical charges Non-life	-133	-121	-156	-165	-111
Life insurance before reinsurance	-32	-22	-27	-24	-21
Earned premiums Life	204	234	251	292	195
Technical charges Life	-235	-257	-278	-316	-216
Ceded reinsurance result	-3	-8	-4	-9	4
Dividend income	11	29	21	7	9
Net result from financial instruments at fair value through profit or loss	53	54	34	150	106
Net realised result from available-for-sale assets				34	34
Net realised result from debt instr FV through OCI	0	0	0		
Net fee and commission income	289	302	318	313	301
Net other income	44	49	59	38	51
TOTAL INCOME	1 139	1 189	1 153	1 178	1 225
Operating expenses	-559	-562	-822	-566	-520
Impairment	-4	-26	-13	-24	-34
On loans and receivables				-12	-21
On financial assets at amortised cost and at FV through OCI	-3	-26	-13		
On available-for-sale assets				-3	-5
On other	-1	0	0	-9	-8
Share in results of associated companies and joint ventures	-3	-4	-1	-9	0
RESULT BEFORE TAX	573	597	316	579	672
Income tax expense	-164	-159	-73	-243	-217
RESULT AFTER TAX	409	437	243	335	455
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	409	437	243	336	455
Banking	325	302	165	271	336
Insurance	84	135	78	65	119
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	98 978	98 258	95 710	94 495	93 512
of which Mortgage loans (end of period)	34 775	34 627	34 548	34 468	34 222
Customer deposits and debt certificates excl. repos (end of period)	131 862	131 013	126 694	132 881	128 895
Technial provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	13 336	13 382	13 496	13 649	13 775
Unit-Linked (end of period)	13 272	13 269	13 160	13 370	13 115
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	47 207	46 848	46 553	44 611	43 988
Required capital, insurance (end of period)	1 567	1 560	1 570	1 627	1 503
Allocated capital (end of period)	6 571	6 526	6 505	6 267	6 078
Return on allocated capital (ROAC)	25%	27%	15%	22%	30%
Cost/income ratio, banking	51%	51%	76%	49%	46%
Combined ratio, non-life insurance	86%	83%	93%	104%	78%
Net interest margin, banking	1,69%	1,72%	1,73%	1,48%	1,51%

Business Unit Czech Republic

Breakdown P&L (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	iFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	263	241	248	234	218
Non-life insurance before reinsurance	27	24	27	21	25
Earned premiums Non-life	65	62	57	59	56
Technical charges Non-life	-38	-38	-30	-38	-31
Life insurance before reinsurance	14	15	15	14	12
Earned premiums Life	63	58	60	96	68
Technical charges Life	-49	-43	-46	-83	-56
Ceded reinsurance result	0	-2	-3	2	-2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	20	8	40	54	53
Net realised result from available-for-sale assets				0	-1
Net realised result from debt instr FV through OCI	0	0	0		
Net fee and commission income	62	64	67	53	43
Net other income	3	3	4	4	5
TOTAL INCOME	388	353	398	383	354
Operating expenses	-180	-173	-189	-177	-153
Impairment	-16	-9	-7	-11	-3
On loans and receivables				2	-1
On financial assets at amortised cost and at FV through OCI	-12	4	-1		
On available-for-sale assets				-1	0
On other	-4	-13	-6	-12	-2
Share in results of associated companies and joint ventures	4	6	6	5	6
RESULT BEFORE TAX	196	177	207	200	205
Income tax expense	-29	-33	-36	-33	-34
RESULT AFTER TAX	168	145	171	167	170
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	168	145	171	167	170
Banking	157	137	160	157	162
Insurance	10	7	12	10	9
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	23 305	22 751	22 656	22 303	22 155
of which Mortgage loans (end of period)	11 128	10 784	10 837	10 653	10 245
Customer deposits and debt certificates excl. repos (end of period)	32 063	30 868	30 552	30 246	29 529
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	611	603	617	613	601
Unit-Linked (end of period)	641	623	623	622	556
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 023	14 717	14 683	15 397	14 855
Required capital, insurance (end of period)	129	122	127	114	118
Allocated capital (end of period)	1 721	1 682	1 683	1 716	1 662
Return on allocated capital (ROAC)	39%	34%	40%	40%	42%
Cost/income ratio, banking	46%	48%	47%	45%	42%
Combined ratio, non-life insurance	96%	99%	92%	96%	95%
Net interest margin, banking	3,04%	2,97%	3,02%	3,06%	2,85%

Business Unit International Markets

Breakdown P&L (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	226	222	226	228	226
Non-life insurance before reinsurance	31	31	26	27	8
Earned premiums Non-life	66	62	58	57	56
Technical charges Non-life	-35	-31	-32	-31	-48
Life insurance before reinsurance	7	9	6	7	6
Earned premiums Life	25	24	25	23	18
Technical charges Life	-18	-15	-19	-16	-12
Ceded reinsurance result	-2	-5	-2	-2	13
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	24	24	18	23	25
Net realised result from available-for-sale assets				0	1
Net realised result from debt instr FV through OCI	-1	0	1		
Net fee and commission income	74	73	68	65	65
Net other income	2	8	8	-60	-57
TOTAL INCOME	361	364	350	288	287
Operating expenses	-214	-209	-252	-236	-206
Impairment	18	33	61	39	11
On loans and receivables				45	12
On financial assets at amortised cost and at FV through OCI	19	39	61		
On available-for-sale assets				0	-1
On other	-2	-6	0	-5	-1
Share in results of associated companies and joint ventures	1	1	2	0	2
RESULT BEFORE TAX	165	189	160	91	94
Income tax expense	-24	-26	-24	-17	-15
RESULT AFTER TAX	141	163	137	74	78
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	141	163	137	74	78
Banking	130	153	127	68	71
Insurance	11	10	9	6	7
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	23 728	24 336	24 146	24 201	23 871
of which Mortgage loans (end of period)	15 052	15 616	15 559	15 503	14 850
Customer deposits and debt certificates excl. repos (end of period)	22 408	22 693	22 957	22 663	22 056
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	255	247	248	212	212
Unit-Linked (end of period)	407	402	423	429	422
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	19 893	19 402	19 506	19 790	19 923
Required capital, insurance (end of period)	101	98	100	104	97
Allocated capital (end of period)	2 210	2 155	2 167	2 162	2 169
Return on allocated capital (ROAC)	26%	30%	25%	14%	16%
Cost/income ratio, banking	60%	58%	73%	83%	72%
Combined ratio, non-life insurance	89%	90%	86%	94%	98%
Net interest margin, banking	2,79%	2,81%	2,88%	2,84%	2,83%

Note: 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 (0.9 billion euros after impairments). This loan portfolio has been reclassified on the balance sheet to 'Non-current assets held for sale and disposal groups'. Consequently, this portfolio is no longer included in line 'total customer loans excluding reverse repo' and 'of which Mortgage loans' (in line with note 4.0). The closing date is expected in 4Q 2018.

Hungary

Breakdown P&L

(in millions of EUR)

	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	60	60	61	63	63
Non-life insurance before reinsurance	10	10	11	8	9
Earned premiums Non-life	28	27	26	26	26
Technical charges Non-life	-17	-17	-15	-17	-17
Life insurance before reinsurance	2	3	1	2	2
Earned premiums Life	4	4	4	4	4
Technical charges Life	-2	-1	-3	-2	-2
Ceded reinsurance result	-1	-1	-1	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	16	20	14	15	14
Net realised result from available-for-sale assets				0	0
Net realised result from debt instr FV through OCI	-1	0	0		
Net fee and commission income	50	51	46	43	41
Net other income	1	6	7	3	1
TOTAL INCOME	138	150	139	134	129
Operating expenses	-80	-80	-103	-86	-81
Impairment	0	2	6	-1	-1
On loans and receivables				1	0
On financial assets at amortised cost and at FV through OCI	1	2	6		
On available-for-sale assets				0	0
On other	-1	0	0	-2	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	59	71	41	47	47
Income tax expense	-8	-10	-7	-7	-8
RESULT AFTER TAX	51	62	34	39	40
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	51	62	34	39	40
Banking	48	58	31	37	37
Insurance	3	4	3	3	2

Breakdown Loans and deposits

Total customer loans excluding reverse repo (end of period)	4 287	4 112	4 173	4 217	4 073
of which Mortgage loans (end of period)	1 531	1 481	1 543	1 556	1 532
Customer deposits and debt certificates excl. repos (end of period)	7 019	6 972	7 053	7 302	6 980

Technical provisions plus unit-linked, life insurance

Interest Guaranteed (end of period)	53	54	56	55	55
Unit-Linked (end of period)	278	269	289	298	291

Performance Indicators

Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 219	5 938	6 103	5 799	5 671
Required capital, insurance (end of period)	39	35	36	37	36
Allocated capital (end of period)	699	665	683	640	626
Return on allocated capital (ROAC)	31%	37%	21%	26%	25%
Cost/income ratio, banking	57%	53%	76%	64%	63%
Combined ratio, non-life insurance	95%	93%	84%	101%	99%

Slovakia

Breakdown P&L (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	54	52	52	53	52
Non-life insurance before reinsurance	6	6	6	7	6
Earned premiums Non-life	11	10	10	10	9
Technical charges Non-life	-4	-3	-4	-3	-3
Life insurance before reinsurance	3	3	3	3	3
Earned premiums Life	13	13	14	13	10
Technical charges Life	-10	-10	-11	-10	-7
Ceded reinsurance result	-1	-1	-1	-1	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	3	0	3	3	3
Net realised result from available-for-sale assets				0	0
Net realised result from debt instr FV through OCI	0	0	0		
Net fee and commission income	16	15	14	13	12
Net other income	1	2	1	2	2
TOTAL INCOME	84	78	78	80	77
Operating expenses	-50	-50	-52	-56	-48
Impairment	1	-4	4	-3	-7
On loans and receivables				-2	-7
On financial assets at amortised cost and at FV through OCI	1	-4	4		
On available-for-sale assets				0	0
On other	0	0	0	-1	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	35	24	29	21	22
Income tax expense	-8	-6	-6	-5	-5
RESULT AFTER TAX	27	19	23	16	16
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	27	19	23	16	16
Banking	24	16	21	14	14
Insurance	3	3	2	2	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	6 979	6 861	6 640	6 574	6 434
of which Mortgage loans (end of period)	3 193	3 123	3 021	2 943	2 861
Customer deposits and debt certificates excl. repos (end of period)	6 333	6 205	6 259	6 066	5 714
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	115	114	114	114	113
Unit-Linked (end of period)	107	116	121	124	126
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 048	4 922	4 911	4 908	4 826
Required capital, insurance (end of period)	24	25	27	26	23
Allocated capital (end of period)	559	546	548	537	525
Return on allocated capital (ROAC)	19%	14%	17%	12%	13%
Cost/income ratio, banking	60%	64%	67%	70%	64%
Combined ratio, non-life insurance	87%	82%	87%	88%	85%

Bulgaria

Breakdown P&L (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	38	37	39	39	40
Non-life insurance before reinsurance	14	15	10	12	-7
Earned premiums Non-life	27	25	23	22	21
Technical charges Non-life	-13	-11	-13	-10	-28
Life insurance before reinsurance	2	3	1	2	1
Earned premiums Life	8	7	6	6	4
Technical charges Life	-6	-4	-5	-4	-2
Ceded reinsurance result	-1	-4	-1	-1	14
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	3	3	2	5	7
Net realised result from available-for-sale assets				0	1
Net realised result from debt instr FV through OCI	0	0	1		
Net fee and commission income	7	8	9	10	11
Net other income	0	0	-1	0	-4
TOTAL INCOME	64	62	60	65	64
Operating expenses	-31	-31	-46	-35	-33
Impairment	1	-3	9	-9	-7
On loans and receivables				-7	-7
On financial assets at amortised cost and at FV through OCI	2	3	9		
On available-for-sale assets				0	-1
On other	-1	-6	0	-2	0
Share in results of associated companies and joint ventures	0	0	1	-1	1
RESULT BEFORE TAX	34	29	23	21	25
Income tax expense	-3	-3	-2	-2	-3
RESULT AFTER TAX	31	26	21	19	22
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	31	26	21	18	22
Banking	26	23	18	17	21
Insurance	4	3	3	2	1
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	2 813	2 772	2 739	2 716	2 695
of which Mortgage loans (end of period)	1 094	1 102	1 113	1 100	660
Customer deposits and debt certificates excl. repos (end of period)	3 981	3 976	4 009	3 903	3 998
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	87	79	78	43	44
Unit-Linked (end of period)	22	17	13	7	5
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 081	3 045	2 990	2 933	2 886
Required capital, insurance (end of period)	38	38	37	41	38
Allocated capital (end of period)	365	361	354	347	338
Return on allocated capital (ROAC)	34%	29%	24%	31%	49%
Cost/income ratio, banking	48%	48%	80%	52%	49%
Combined ratio, non-life insurance	82%	88%	93%	88%	102%

Ireland

Breakdown P&L (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	74	73	75	73	70
Non-life insurance before reinsurance	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0
Earned premiums Life	0	0	0	0	0
Technical charges Life	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	1	1	-1	1	0
Net realised result from available-for-sale assets				0	0
Net realised result from debt instr FV through OCI	0	0	0		
Net fee and commission income	0	0	0	0	0
Net other income	0	0	0	-61	-55
TOTAL INCOME	75	74	74	12	16
Operating expenses	-53	-49	-51	-59	-43
Impairment	15	38	43	52	26
On loans and receivables				52	26
On financial assets at amortised cost and at FV through OCI	15	39	43		
On available-for-sale assets				0	0
On other	0	-1	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	36	63	66	5	-1
Income tax expense	-5	-8	-8	-3	0
RESULT AFTER TAX	32	55	57	3	-1
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	32	55	57	3	-1
Banking	32	55	57	3	-1
Insurance	0	0	0	0	0
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	9 649	10 592	10 595	10 694	10 669
of which Mortgage loans (end of period)	9 235	9 910	9 883	9 905	9 797
Customer deposits and debt certificates excl. repos (end of period)	5 074	5 540	5 636	5 392	5 364
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 539	5 491	5 496	6 144	6 525
Allocated capital (end of period)	587	582	583	639	679
Return on allocated capital (ROAC)	21%	36%	37%	2%	-1%
Cost/income ratio, banking	71%	66%	69%	495%	271%

Note: 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 (0.9 billion euros after impairments). This loan portfolio has been reclassified on the balance sheet to 'Non-current assets held for sale and disposal groups'. Consequently, this portfolio is no longer included in line 'total customer loans excluding reverse repo' and 'of which Mortgage loans' (in line with note 4.0). The closing date is expected in 4Q 2018.

Group centre - Breakdown net result (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Operational costs of the Group activities	-18	-15	-17	-25	-20
Capital and treasury management	4	8	-4	-5	5
Holding of participations	-4	3	1	18	-13
Results companies in rundown	10	10	23	-22	19
Other	-10	-59	3	-144	-3
Total net result for the Group centre	-17	-53	5	-179	-12

Group Centre

Breakdown P&L (in millions of EUR)	IFRS 9 3Q 2018	IFRS 9 2Q 2018	IFRS 9 1Q 2018	IAS 39 4Q 2017	IAS 39 3Q 2017
Net interest income	10	11	2	-2	7
Non-life insurance before reinsurance	1	4	5	4	3
Earned premiums Non-life	1	3	3	2	2
Technical charges Non-life	0	0	2	2	0
Life insurance before reinsurance	1	0	0	0	0
Earned premiums Life	0	-1	0	0	0
Technical charges Life	0	0	0	1	0
Ceded reinsurance result	-1	1	0	-1	1
Dividend income	1	4	1	1	1
Net result from financial instruments at fair value through profit or loss	-19	-31	4	8	-2
Net realised result from available-for-sale assets				16	16
Net realised result from debt instr FV through OCI	1	8	0		
Net fee and commission income	-1	-1	-2	-1	-1
Net other income	8	-37	1	3	5
TOTAL INCOME	0	-43	11	29	30
Operating expenses	-28	-23	-27	-43	-35
Impairment	4	4	16	-6	-6
On loans and receivables				-4	-6
On financial assets at amortised cost and at FV through OCI	4	4	16		
On available-for-sale assets				0	0
On other	0	0	0	-2	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	-24	-61	0	-20	-11
Income tax expense	7	8	6	-159	-1
RESULT AFTER TAX	-17	-53	5	-179	-12
Attributable to minority interest	0	0	0	0	0
Attributable to equity holders of the parent	-17	-53	5	-179	-12
Of which banking	-8	-18	9	-166	6
Of which holding	-12	-38	-7	-10	-20
Of which insurance	3	3	3	-3	2
Breakdown Loans and deposits					
Total customer loans excluding reverse repo (end of period)	0	0	0	0	0
of which Mortgage loans (end of period)	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	7 723	8 376	7 832	7 918	8 481
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 725	2 831	3 298	3 478	3 636
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	-25	-23	-13	-23	-9
Allocated capital (end of period)	264	277	336	339	369

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	9M 2018	2017	9M 2017
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 948	2 575	2 176
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 55	- 52	- 39
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417,3	418,1	418,3
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417,4	418,1	418,4
Basic = (A-B) / (C) (in EUR)		4,54	6,03	5,11
Diluted = (A-B) / (D) (in EUR)		4,54	6,03	5,11

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	9M 2018	2017	9M 2017
Net technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	651	813	568
/				
Net earned insurance premiums (B)	Note 3.7.1	1 151	1 465	1 089
+				
Operating expenses (C)	Note 3.7.1	383	482	362
/				
Net written insurance premiums (D)	Note 3.7.1	1 230	1 493	1 156
= (A/B)+(C/D)		87,7%	87,8%	83,4%

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 %)		9M 2018	2017	9M 2017
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'				
Fully loaded		16,0%	16,3%	15,9%

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	9M 2018	2017	9M 2017
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	2 857	3 570	2 684
/				
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	4 865	6 587	4 952
= (A) / (B)		58,7%	54,2%	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) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 56,9% in 9M 2018 (versus 54,9% in FY 2017 and 53,5% in 9M 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	9M 2018 (*)	2017	9M 2017
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 296	4 039	4 777
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	9 103	9 186	10 060
= (A) / (B)		47,2%	44,0%	47,5%

(*) 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	9M 2018	2017	9M 2017
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 90	- 87	- 54
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	164 391	151 681	151 271
= (A) (annualised) / (B)		-0,07%	-0,06%	-0,05%

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	9M 2018 (*)	2017	9M 2017
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	9 103	9 186	10 060
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	166 822	154 160	153 339
= (A) / (B)		5,5%	6,0%	6,6%

(*) 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	9M 2018	2017	9M 2017
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	17 418	16 504	15 996
/				
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)	286 388	272 373	277 675
= (A) / (B)		6,1%	6,1%	5,8%

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	9M 2018	2017	9M 2017
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	79 747	79 850	76 250
/				
Total net cash outflows over the next 30 calendar days (B)		57 631	57 600	50 800
= (A) / (B)		138%	139%	150%

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	9M 2018	2017	9M 2017
Loans and advances to customers (related to the group's banking activities) (A)	Note 4.1	146 011	140 999	138 098
+				
Corporate bonds in investment books (banking) (B)	Note 4.1 component of 'debt securities - corporates'	2 528	-	-
-				
Reverse repos with customers (C)	Note 4.1	-	-	928
+				
Reverse repos excl Central Banks (D)	Note 4.1, component of 'Reverse repos with credit institutions'	1 363	-	-
+				
Bank bonds in investment books (banking) (E)	Note 4.1 component of 'debt securities - Credit institutions'	3 233	-	-
+				
Exposures on Credit institutions (incl nostro accounts) (F)		5 215	-	-
+				
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	7 257
+				
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	982
-				
+				
Financial guarantees granted to clients (I)	Note 6.1, component of 'Financial guarantees given'	8 352	8 235	7 972
+				
Impairment on loans (J)	Note 4.2, component of 'Impairment'	3 735	4 058	4 819
-				
Insurance companies (K)	Note 4.1, component of 'Loans and advances to customers'	- 2 214	- 2 458	-
+				
Non-loan related receivables (L)		- 930	-	-
+				
Other (including accrued interest before 2018) (M)	Component of Note 4.1	- 473	- 3 797	- 4 862
= (A)+(B)-(C)+(D)+(E)+(F)+(G)+(H)+(I)+(J)-(K)+(L)+(M)		166 822	154 160	153 339

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).

Minimum requirement for own funds and eligible liabilities (MREL)

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

Calculation (in millions of EUR or %)	Reference	9M 2018	2017	9M 2017
Own funds* and eligible liabilities (issued from KBC Group NV) (A)	Based on BRRD	24 814	22 207	21 677
/				
Risk weighted assets (consolidated, Danish compromise method) (B)	'Consolidated balance sheet'	93 980	92 410	91 535
= (A) / (B)		26,4%	24,0%	23,7%

* after deconsolidation of KBC Insurance

SRB's current approach to MREL is defined in the '2017 MREL Policy' published on 20 December 2017, which is based on the current legal framework and hence might be revised in the context of the ongoing legislative process to review BRRD. SRB requires KBC to achieve the MREL target by 1 May 2019, using both HoldCo and eligible OpCo instruments. From 1Q 2018 the actual MREL includes the Opco instruments.

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	9M 2018	2017	9M 2017
Net interest income of the banking activities (A) (annualised)	'Consolidated income statement': component of 'Net interest income'	2 844	3 513	2 629
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	187 657	187 216	186 736
= (A) (annualised x360/number of calendar days) / (B)		2,00%	1,85%	1,86%

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

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	9M 2018	2017	9M 2017
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	164 300	157 700	155 250
/				
Required amount of stable funding (B)		122 500	117 300	119 550
= (A) / (B)		134,1%	134,5%	129,9%

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	9M 2018	2017	9M 2017
Parent shareholders' equity (A)	'Consolidated balance sheet'	16 878	17 403	17 003
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	415,8	418,5	418,3
= (A) / (B) (in EUR)		40,59	41,58	40,65

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	9M 2018	2017	9M 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	1 089	1 575	1 240
/				
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)		6 490	6 007	6 039
= (A) annualised / (B)		22,4%	26,2%	27,4%
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	484	702	534
/				
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)		1 708	1 620	1 591
= (A) annualised / (B)		37,6%	43,0%	44,4%
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	440	444	370
/				
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)		2 184	2 054	2 011
= (A) annualised / (B)		26,9%	21,6%	24,5%

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	9M 2018	2017	9M 2017
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	1 948	2 575	2 176
-				
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	'Consolidated statement of changes in equity'	- 55	- 52	- 39
/				
Average parent shareholders' equity, excluding the revaluation reserve for available-for-sale / FV OCI assets / Overlay (C)	'Consolidated statement of changes in equity'	15 665	14 926	14 795
= (A-B) (annualised) / (C)		16,1%	16,9%	19,3%

Solvency ratio (insurance)

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

Calculation	9M 2018	2017	9M 2017
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	216%	212%	221%

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	9M 2018	2017	9M 2017
Belgium Business Unit (A)	Company presentation on www.kbc.com	200,3	202,1	200,0
+ Czech Republic Business Unit (B)		9,7	9,6	9,3
+ International Markets Business Unit (C)		4,3	5,0	5,9
A)+(B)+(C)		214,3	216,7	215,1

Note that 2017 AuM figures were reduced due to a roughly 2 billion euro adjustment in Institutional Mandates.

Total capital ratio

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

Calculation	9M 2018	2017	9M 2017
Detailed calculation in the table 'Danish Compromise' under 'Solvency KBC Group' section			
Fully loaded	20,9%	20,2%	19,9%