KBC Group Quarterly Report 3Q2017

Report for 3Q2017 and 9M2017

Consolidated financial statements according to IFRS

Additional information

Management certification

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

Forward-looking statements

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

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KBC Group

Report for 3Q2017 and 9M2017

Summary: strong result of 691 million euros in the third quarter

Against the background of sustained economic expansion, only moderately rising inflation, a stronger euro and stable low interest rates, KBC turned in a strong performance in the third quarter of 2017, posting a net profit of 691 million euros. In the quarter under review, our core businesses once again performed well, while costs remained under control and the level of loan loss impairment remained very low. Moreover, the recently acquired Bulgarian companies also contributed positively to net profit. Adding the third quarter result to the similarly very good results for the first two quarters of the year brings the net result for the first nine months of 2017 to 2 176 million euros, significantly up on the 1 742 million euros recorded in the corresponding period of 2016. Our solvency and liquidity positions remained strong too. In line with our dividend policy, we will pay an interim dividend of 1 euro per share on 17 November 2017.

Financial highlights for the third quarter of 2017

- Both our existing banking and insurance franchises in our core markets continued to perform well, while the recently acquired Bulgarian companies, UBB and Interlease, also contributed 14 million euros to the net result. Our group result for the quarter under review accordingly came to a strong 691 million euros.
- Lending to our clients went up 1% quarter-on-quarter and 6% year-on-year, with increases in all business units. Deposits from our clients remained flat quarter-on-quarter, but increased 12% year-on-year with growth in all business units. Of the year-on-year volume growth, some 1.4 percentage points (for lending) and 1.9 percentage points (for deposits) was attributable to the first-time inclusion of UBB/Interlease in the figures.
- Net interest income – our main source of income – was up 1% on the previous quarter and down just 2% on its year-earlier level, thanks largely to the positive effect of the first-time consolidation of UBB/Interlease. The net interest margin came to 1.83%, down 3 basis points quarter-on-quarter and 7 basis points year-on-year.
- Higher premium income, a better reinsurance result and a one-off release of provisions in Belgium boosted technical income from our non-life insurance activities by 23% year-on-year. Consequently, our non-life combined ratio for the first nine months of 2017 ended up at an exceptionally good 83%. Sales of our life insurance products dropped just slightly quarter-on-quarter, but were down 10% on their level a year ago.
- Our net fee and commission income remained strong, increasing year-on-year by 11%, thanks mainly to our asset management activities and the first-time inclusion of UBB/Interlease in the figures. Compared to the previous quarter, however, there was a decrease of 5% which partly reflects the effect of the holiday season.
- All other income items combined fell 34% quarter-on-quarter, but were up 49% year-on-year. This was largely accounted for in both cases by variations in the level of trading and fair value income and a negative item of 54 million euros in the quarter under review (related to an ongoing industry wide review of the tracker rate mortgage products originated in Ireland before 2009).
- Our operating expenses were more or less flat quarter-on-quarter and up 2% year-on-year. Excluding UBB/Interlease, costs decreased by 2% quarter-on-quarter, but remained unchanged year-on-year. As a consequence, our cost/income ratio for the first nine months of 2017 stood at a solid 54%.
- At 15 million euros, loan loss impairment charges in the quarter under review remained very low. They included a net impairment release of 26 million euros in Ireland and generally low levels of additional impairment charges in all other core countries. Consequently, our cost of credit amounted to a very favourable -0.05% in the first nine months of 2017 (a negative figure indicates a positive impact on profit).
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.9% (fully loaded, Danish compromise).

Johan Thijs, our group CEO, comments…

'We have delivered yet another strong performance in the third quarter. A number of factors were instrumental in achieving this, including growth of net interest income, solid net fee and commission income and a high level of insurance income thanks in part to some releases of provisions. Moreover, our costs remained under control, and loan loss impairment charges continued to be very low. On top of that, our recently acquired Bulgarian entities UBB and Interlease contributed 14 million euros to this quarter's result. Moreover, the quarterly result was also influenced by an ongoing industry wide review of the tracker rate mortgage products originated in Ireland before 2009, for which a negative 54 million euros in this quarter has been booked.

All this resulted in 691 million euros of net profit being posted in the quarter under review. Combined with the 630 million euros recorded in the first quarter, and the exceptionally strong 855 million euros in the second quarter, this brings our net result for the first nine months of 2017 to 2 176 million euros, up 25% on the figure for the corresponding period of 2016.

We continued to work relentlessly on executing our strategy, which has proven very successful to date. We are on track as regards our digital agenda, and are working on further developing our bank-insurance business and on supporting the local economies and clients in the countries in which we operate. We are ahead of our agenda on the operational integration of the recently acquired UBB and Interlease entities in Bulgaria, which will make us a leading player in that core country too.

We are truly grateful for the trust that our clients place in our company and our employees, and remain fully committed and focused in our efforts to become the reference in client-centric bank-insurance in all our core countries.'

Overview KBC Group (consolidated, IFRS)	3Q2017	2Q2017	3Q2016	9M2017	9M2016
Net result (in millions of EUR)	691	855	629	2 176	1 742
Basic earnings per share (in EUR)	1.62	2.01	1.47	5.11	4.07
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	455	483	414	1 240	993
Czech Republic	170	183	145	534	465
International Markets	78	177	106	370	289
Group Centre	-12	12	-36	32	-5
Parent shareholders' equity per share (in EUR, end of period)	40.6	39.8	36.2	40.6	36.2

The core of our strategy

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

Our strategy consists of four interacting cornerstones:

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

Overview of our results and balance sheet

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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2017	2Q2017	1Q2017	4Q2016	3Q2016	9M 2017	9M 2016
Net interest income	1 039	1 028	1 025	1 057	1 064	3 091	3 201
Non-life insurance (before reinsurance)	188	179	187	178	164	554	450
Earned premiums	*378*	*369*	*360*	*363*	*357*	*1 107*	*1 047*
Technical charges	*-190*	*-190*	*-173*	*-185*	*-193*	*-553*	*-597*
Life insurance (before reinsurance)	-3	-24	-28	-44	-34	-55	-107
Earned premiums	*282*	*267*	*312*	*413*	*336*	*861*	*1 163*
Technical charges	*-284*	*-291*	*-341*	*-457*	*-370*	*-916*	*-1 271*
Ceded reinsurance result	16	-10	-4	-15	-1	2	-23
Dividend income	11	30	15	19	12	55	58
Net result from financial instruments at fair value through P&L	182	249	191	224	69	622	317
Net realised result from available-for-sale assets	51	52	45	8	26	148	181
Net fee and commission income	408	430	439	376	368	1 277	1 074
Other net income	4	47	77	101	59	128	157
Total income	1 896	1 980	1 946	1 903	1 727	5 822	5 308
Operating expenses	-914	-910	-1 229	-963	-895	-3 053	-2 985
Impairment	-31	71	-8	-73	-28	32	-127
on loans and receivables	-15	78	-6	-54	-18	57	-71
on available-for-sale assets	-6	-2	-1	-4	-7	-9	-51
on goodwill	0	0	0	0	0	0	0
other	-11	-5	0	-15	-3	-16	-5
Share in results of associated companies and joint ventures	8	3	5	5	9	16	22
Result before tax	959	1 144	715	871	814	2 818	2 218
Income tax expense	-268	-288	-85	-186	-184	-641	-476
Net post-tax result from discontinued operations	0	0	0	0	0	0	0
Result after tax	691	855	630	685	629	2 176	1 742
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**691**	**855**	**630**	**685**	**629**	**2 176**	**1 742**
Basic earnings per share (EUR)	1.62	2.01	1.47	1.61	1.47	5.11	4.07
Diluted earnings per share (EUR)	1.62	2.01	1.47	1.61	1.47	5.11	4.07

Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-09-2017	30-06-2017	31-03-2017	31-12-2016	30-09-2016
Total assets	296 885	296 479	287 293	275 200	266 016
Loans and advances to customers	140 466	139 350	135 304	133 231	131 973
Securities (equity and debt instruments)	69 273	70 898	72 329	73 262	72 774
Deposits from customers and debt certificates	190 824	189 938	181 722	177 730	170 425
Technical provisions, before reinsurance	18 696	18 905	19 234	19 657	19 745
Liabilities under investment contracts, insurance	13 294	13 339	13 128	12 653	12 506
Parent shareholders' equity	17 003	16 665	16 506	15 957	15 135

Selected ratios for the KBC group (consolidated)	9M2017	FY2016	9M2016
Profitability and efficiency			
Return on equity	19%	18%	18%
Cost/income ratio, banking (between brackets: when evenly spreading the bank taxes and excluding certain non-operating items)	54% (54%)	55% (57%)	57% (57%)
Combined ratio, non-life insurance	83%	93%	94%
Solvency			
Common equity ratio according to Basel III Danish Compromise method (phased-in/fully loaded)	16.1%/15.9%	16.2%/15.8%	15.1%/15.3%
Common equity ratio according to FICOD method (fully loaded)	15.2%	14.5%	13.6%
Leverage ratio according to Basel III (fully loaded)	5.8%	6.1%	6.2%
Credit risk			
Credit cost ratio*	-0.05%	0.09%	0.07%
Impaired loans ratio	6.6%	7.2%	7.6%
for loans more than 90 days overdue	3.7%	3.9%	4.2%
Liquidity			
Net stable funding ratio (NSFR)	130%	125%	123%
Liquidity coverage ratio (LCR)	150%	139%	137%

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

Analysis of the quarter (3Q2017)

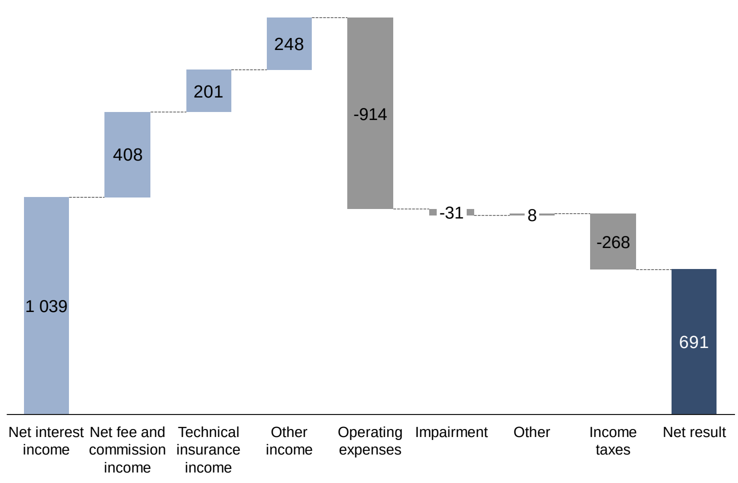
The net result for the quarter amounted to 691 million euros, compared to 855 million euros in the previous quarter and 629 million euros in the corresponding quarter a year earlier.

Note: the results of the recently acquired UBB and Interlease entities in Bulgaria are included in the group's results as of the third quarter of 2017 (net result of 14 million euros). Please note that UBB and Interlease were already included in the balance sheet at 30 June 2017.

Our total income was down 4% on the figure for the previous quarter, as higher technical insurance income and net interest income were offset by lower trading and fair value income, a negative item in other net income and a seasonal drop in some other income items.

Breakdown of the 3Q2017 result

(in millions of EUR)



Net interest income (1 039 million euros) was up 1% on its level in the previous quarter, but down 2% on its year-earlier level. Net interest income benefited from lower funding costs and continued loan volume growth – see below – and from the first-time inclusion of UBB/Interlease in the figures, which accounted for 28 million euros of net interest income. These positive items were offset in part by a more negative level of interest income generated by the dealing rooms, the continued effect of low reinvestment yields, lower prepayment fees on mortgage loan refinancing (mainly year-on-year) and loan margin pressure in most core countries. As a result, our net interest margin came to 1.83% for the quarter under review, down 3 and 7 basis points, respectively, on the figure recorded in the previous and year-earlier quarters. As already mentioned, interest income continued to be supported by loan volume growth: our total volume of lending rose by 1% quarter-on-quarter and by 6% year-on-year, with growth in all business units. Deposits remained flat quarter-on-quarter and went up 12% year-on-year with increases in all business units. Excluding UBB/Interlease, the year-on-year organic growth of loans would have been 4% and the year-on-year growth of deposits some 10%.

Technical income from our non-life and life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) stood at a high 201 million euros in the quarter under review. Non-life insurance activities contributed 202 million euros to this technical insurance income figure, 19% and 23% more than in the previous and year-earlier quarters, respectively, thanks to increased non-life premium income in almost all core countries, a higher reinsurance result and a one-off release of non-life provisions in Belgium (26 million euros). Consequently, our combined ratio for the first nine months of 2017 came to an exceptionally good 83% (86% excluding the one-off provisions release), compared to 93% for full year 2016. Technical insurance income from our life insurance activities stood at -1 million euros, an improvement on the -25 million euros recorded in the previous quarter and the -35 million euros posted in the year-earlier quarter, due to the fact that it also benefited from a release of life-related provisions in Belgium (23 million euros), among other things. Sales of life insurance products were 3% lower than in the previous quarter, and were down 10% on the year-earlier quarter, with most of the decline occurring in the sale of guaranteed interest products in Belgium (related to the low interest rate environment). Consequently, the share of guaranteed interest products in total sales of life insurance products dropped to 54% in the third quarter of 2017, with unit-linked products accounting for the remaining 46%.

Net fee and commission income – at 408 million euros – remained robust. Year-on-year, it was up 11%, thanks mainly to the contribution made by our asset management activities in Belgium, and, to a lesser extent, to higher payment service fees in a number of countries and to the first-time inclusion of UBB/Interlease in the figures (accounting for 12 million euros). Compared to the previous quarter, however, there was a decrease of 5% which partly reflects the effect of the holiday season (lower entry fees due to a drop in sales of funds and lower securities-related transactions, etc.). At the end of September 2017, our total assets under management stood at 217 billion euros, up 1% quarter-on-quarter and almost 4% year-on-year, due in both cases mainly to the positive price performance.

All other income items amounted to an aggregate 248 million euros, compared to 378 million euros in the previous quarter and 166 million euros in the year-earlier quarter. The figure for the third quarter of 2017 included a relatively high 51 million euros in gains realised on the sale of available-for-sale securities (predominantly on shares), 11 million euros in dividend income (down on the figure for the second quarter of 2017, when the bulk of dividends is usually received) and 4 million euros in other net income (down quarter-on-quarter and year-on-year since it includes an additional provision of 54 million euros related to an ongoing industry wide review of the tracker rate mortgage products originated in Ireland before 2009). It also included the 182-million-euro net result from financial instruments at fair value (trading and fair value income). The latter was up on the 69 million euros recorded in the year-earlier quarter, but down on the very high 249 million euros recorded in the previous quarter, due principally to the lower mark-to-market value change of derivatives used for asset/liability management purposes (partly related to CZK swaps) and a decrease in dealing room income.

Operating expenses flat quarter-on-quarter

At 914 million euros, operating expenses were flat quarter-on-quarter and up 2% year-on-year (disregarding UBB/Interlease, expenses were even down 2% quarter-on-quarter and flat year-on-year). The flat level of costs quarter-on-quarter – despite the 20-million-euro impact of UBB/Interlease – was attributable mainly to lower staff expenses, professional fees, facilities expenses and ICT costs, among other things. The 2% year-on-year increase in costs, on the other hand, resulted from an increase in staff expenditure (wage drift), ICT costs, depreciation and the impact of UBB/Interlease, partly offset by decreases in professional fees, facilities expenses and marketing costs.

As a result, the cost/income ratio of our banking activities stood at a solid 54% in the first nine months of 2017, compared to 55% for full year 2016. When the bank taxes are evenly spread throughout the year and certain non-operating items are excluded (mark-to-market of derivatives used for asset/liability management purposes, the impact of legacy legal cases, the effect of the liquidation of group companies, etc.), our adjusted cost/income ratio for the first nine months of 2017 also amounted to 54%, compared to 57% for full year 2016.

Low level of loan loss impairment in the quarter under review

In the third quarter of 2017, there was only a very small increase in loan loss impairment (15 million). There had been a net impairment release (with a positive impact on the results) of 78 million euros in the previous quarter and an increase of 18 million euros in the year-earlier quarter. The low level of impairment in the quarter under review was attributable to the combination of a 26-million-euro impairment release in Ireland (which came about mainly because of the positive movement in the 9-month average house price index and an improvement in the portfolio of non-performing loans), and a relatively low level of additional impairment charges in all other core countries: 21 million euros in Belgium (quarter-on-quarter increase due to one large corporate loan), 1 million euros in the Czech Republic, 7 million euros in Slovakia, 0 million euros in Hungary, 7 million euros in Bulgaria (almost entirely relating to the UBB portfolio) and 6 million euros in the Group Centre.
Consequently, annualised loan loss impairment for the entire group in the first nine months of 2017 accounted for an extremely low -0.05% of the total loan portfolio (a negative figure indicates a positive impact on the results).
Loan quality improved further: at the end of September 2017, some 6.6% of our loan book was classified as impaired, with 3.7% being 'impaired and more than 90 days past due'. This compares with 7.2% and 3.9%, respectively, at year-end 2016.

Impairment on assets other than loans stood at 17 million euros, compared to 7 million in the previous quarter and 10 million euros in the third quarter of 2016. The figure for the third quarter of 2017 mainly related to available-for-sale shares, facilities assets and ICT, among other things.

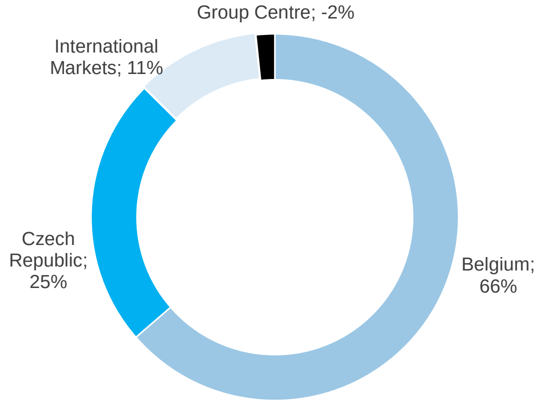
Results per business unit (quarter-on-quarter)

Our quarterly profit of 691 million euros breaks down as follows:

- 455 million euros for the Belgium Business Unit.

  The net result was down 6% quarter-on-quarter. This was due to a partly seasonal decline in net fee and commission income and dividend income, lower net interest income, a decrease in trading and fair value income following the very high level in the previous quarter, higher – but still low – loan loss impairment and an increase in impairment on other assets. This was offset by a number of items, including significantly better technical insurance income (thanks in part to one-off releases of provisions), increased other net income, and lower operating expenses.

Contribution of the business units to the group result (3Q2017)



- 170 million euros for the Czech Republic Business Unit.

  The net result was down 7% on its level for the previous quarter, essentially due to trading and fair value income, which – though still high – was lower than the very high level recorded in the previous quarter. Other significant items were a lower level of realised gains on the sale of financial assets and a decrease in fee and commission income, partly offset by a lower level of loan loss impairment and improved technical insurance income.

- 78 million euros for the International Markets Business Unit, 16 million euros of which was accounted for by Slovakia, 40 million euros by Hungary, 22 million euros by Bulgaria (including 14 million euros at UBB/Interlease) and -1 million euros by Ireland. For the business unit as a whole, this represented a quarter-on-quarter decrease of 99 million euros, which was primarily attributable to Ireland, where loan loss impairment releases were lower in the quarter under review and a provision of 54 million euros was set aside relating to an ongoing industry wide review of the tracker rate mortgage products originated in Ireland before 2009.

- -12 million euros for the Group Centre. This is 24 million euros down on the level recorded in the previous quarter, largely situated in trading and fair value income.

	Belgium		Czech Republic		International Markets	
Selected ratios per business unit	**9M2017**	**FY2016**	**9M2017**	**FY2016**	**9M2017**	**FY2016**
Cost/income ratio, banking (between brackets: when evenly spreading bank taxes and excl. certain non-operating items)	53% (52%)	54% (55%)	41% (42%)	45% (46%)	68% (67%)	64% (66%)
Combined ratio, non-life insurance	80%	92%	97%	96%	92%	94%
Credit cost ratio*	0.10%	0.12%	0.04%	0.11%	-0.74%	-0.16%
Impaired loans ratio	2.8%	3.3%	2.5%	2.8%	22.4%	25.4%

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

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

Strong fundamentals: equity, solvency and liquidity

At the end of September 2017, our total equity stood at 18.4 billion euros (17.0 billion euros in parent shareholders' equity and 1.4 billion euros in additional tier-1 instruments), up 1.0 billion euros on its level at the beginning of the year. The change during the first nine months of the year resulted from the inclusion of the profit for that period (+2.2 billion euros), the payout of the final dividend for 2016 in May and the decision to pay an interim dividend for 2017 in November (an aggregate -1.2 billion euros), changes in the available-for-sale and cash flow hedge reserves (-0.1 and +0.2 billion euros, respectively) and a number of minor items.

At 30 September 2017, our fully loaded common equity ratio (Basel III, under the Danish compromise) stood at a strong 15.9%. Our leverage ratio (Basel III, fully loaded) came to 5.8%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 221% at 30 September 2017.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 150% and an NSFR ratio of 130% at the end of September 2017.

Analysis of the year-to-date period (9M2017)

The net result for the first nine months 2017 amounted to 2 176 million euros, compared to 1 742 million euros in the corresponding period of 2016.

Note: the result for the first nine months of 2017 includes the net result of 14 million euros generated by the recently acquired UBB and Interlease entities in Bulgaria in the period July through September.

Highlights (compared to 9M2016):

- Somewhat lower net interest income (-3% to 3 091 million euros). The volume of deposits increased by 12% and lending went up by 6%. Of this volume growth, some 1.4 percentage points (for lending) and 1.9 percentage points (for deposits) was attributable to the first-time inclusion of UBB/Interlease in the figures. The net interest margin in the first nine months of 2017 came to 1.86%, down on the 1.94% recorded in the corresponding period of 2016.
- A higher contribution made by the technical insurance result (+57% to 501 million euros). This was due to the non-life insurance activities, where premium income rose, the reinsurance result went up and technical charges fell (thanks in part to a one-off release of provisions in Belgium), and to the life insurance activities, which – among other things – also benefited from a release of provisions Belgium. The year-to-date non-life combined ratio stood at an excellent 83%. Life insurance sales were down by 19%, mainly on account of a decrease in the sale of guaranteed interest products.
- Significantly higher net fee and commission income (+19% to 1 277 million euro) due primarily to our asset management services. At the end of September 2017, total assets under management stood at 217 billion euros, a year-on-year increase of 4%, largely because of a positive price performance.
- A higher level of all other income items combined (953 million euros). This included a significantly higher net result from financial instruments at fair value (almost doubling to 622 million euros), lower net realised gains from available-for-sale assets (-18% to 148 million euros, since the reference period had included the gain on the sale of Visa Europe shares), a slightly lower level of dividend income (-6% to 55 million euros) and lower other net income (-19% to 128 million euros, in part due to the booking of a provision relating to an ongoing industry wide review of the tracker rate mortgage products originated in Ireland before 2009).
- Slightly higher operating expenses (+2% to 3 053 million euros), owing basically to higher staff costs (wage drift and pension expenses, among other things), increased ICT costs, the first-time inclusion of UBB/Interlease in the figures and, to a lesser extent, higher professional fees and depreciation, while facilities expenses and marketing costs fell somewhat. As a result, the year-to-date cost/income ratio amounted to a solid 54%.
- Much lower loan loss impairment charges (from a net addition of 71 million euros in the first nine months of 2016 to a net release of 57 million euros in the first nine months of 2017), essentially because of impairment releases in Ireland. As a result, the credit cost ratio for the whole group stood at an excellent -0.05% (a negative figure indicates a positive impact on the results).
- The net result for the first nine months of 2017 breaks down as follows: 1 240 million euros for the Belgium Business Unit (+25% on the figure for the first nine months of 2016), 534 million euros for the Czech Republic Business Unit (+15%), 370 million euros for the International Markets Business Unit (+28%, or +23% excluding UBB/Interlease) and 32 million euros for the Group Centre (up 37 million euros). The above result for the International Markets Business Unit breaks down into 164 million euros for Ireland (+84%, due essentially to much higher loan loss impairment releases), 107 million euros for Hungary (roughly unchanged), 63 million euros for Slovakia (-17%) and 31 million euros for Bulgaria (+94%, due to the inclusion in the figures of UBB/Interlease as of the third quarter of 2017).

Risk statement

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

At present, a number of items are considered to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to us. Regulatory uncertainty regarding capital requirements is a dominant theme for the sector, besides enhanced consumer protection. Another ongoing challenge remains the low interest rate environment, despite the recent uptrend, particularly for longer maturities, combined with the increased risk of asset bubbles. The financial sector also faces the potential systemic consequences of political and financial developments like Brexit or protectionist measures in the US, which will have an impact on the European economy. EU political risks receded earlier this year following the outcome of the Dutch and French elections, but the situation in Catalonia might develop into a new source of uncertainty. In addition, concerns remain on the banking sector in certain countries. Financial technology is an additional challenge for the business model of traditional financial institutions. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

On the macroeconomic front, the strong momentum of global economic growth continued in the third quarter of 2017. This favourable environment allowed the Fed to start its balance sheet normalisation programme at the beginning of October. Economic growth in the euro area remained well above its long-term potential rate, leading to further improvements on the European labour market. Oil prices rose during the third quarter, which caused a modest increase in headline inflation compared to its second quarter level. Core inflation, however, remained broadly stable at a low level. Both the US and German long-term government bond yields ended the third quarter virtually unchanged at low levels. Meanwhile, intra-EMU sovereign yield spreads remained generally stable, with the notable exception of Spain (slightly higher due to political events in Catalonia), and Portugal (significantly lower due to its sovereign debt rating being upgraded). On balance, the strong economic performance in the euro area caused the euro to appreciate markedly against the US dollar. The euro peaked at the end of August, before depreciating again somewhat as a result of the Fed's determination to pursue its normalisation path.

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

Our views and guidance

Our view on interest rates and foreign exchange rates: the ECB will continue its QE programme until at least September 2018. From January 2018 on, the volume of these net monthly purchases will be reduced to 30 billion euros. The ECB will only raise its policy rate in 2019. In the meantime, we expect the Fed to carry out another policy rate hike in 2017 and three more in 2018 (each time by 25 basis points). Consequently, we believe that the US dollar will appreciate against the euro in 2017 and in early 2018, as it will benefit from short-term interest rate support. The euro will start appreciating again after this period. Given the low inflation environment and still highly accommodating global monetary policies, German and US long-term bond yields are expected to rise only modestly in the period ahead. Unlike the dovish stance of the ECB, the Czech National Bank has already begun to tighten its monetary policy and is expected to continue to do so in the coming year. We forecast two more rate hikes for next year so that the repo rate will be at 1% by the end of 2018. However, given the economic and inflationary developments together with possible fiscal stimulus by the new government, a more aggressive policy is possible.

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

Notice to the holders of the 1 billion USD contingent capital note ('CoCo') of KBC Bank NV:

- we intend to call the CoCo in January 2018. Hence, the capital value of the CoCo has already been excluded from Tier-2 capital. The impact of calling the CoCo has largely been offset by the successful issue of a 500-million-euro tier-2 benchmark in September 2017.

We repeat our guidance:

- For Ireland, our guidance for loan impairment is for a net release of 160 to 200 million euros for full year 2017.
- We estimate the first-time application of IFRS 9 (replacing the relevant requirements of IAS 39 on 1 January 2018) to reduce our fully loaded common equity ratio by 45-55 basis points, mainly on account of reclassifications in the banking book.
- In line with our dividend policy, the Board has decided to pay an interim dividend of 1 euro per share, as an advance payment on the total dividend (payment date 17 November 2017; record date: 16 November 2017, ex-coupon date 15 November 2017).
- We repeat that the planned but not yet approved reform of the Belgian corporate income tax regime announced on 26 July 2017 would impact KBC mainly because of the intended gradual decrease in the tax rate from 33.99% to 29.58% (as of accounting year 2018) and to 25% (as of accounting year 2020). We expect this to have a recurring positive impact on the income statement from 2018 onwards, a slightly positive one-off impact (of roughly +0.2%) on the common equity ratio in the fourth quarter of 2017, and an estimated one-off negative upfront impact on the income statement in the fourth quarter of 2017 (estimated at -230 million euros and related to a reduction in deferred tax assets).

KBC Group Consolidated financial statements according to IFRS 3Q 2017 and 9M 2017

Section reviewed by the Auditor

Consolidated income statement

(in millions of EUR)	Note	9M 2017	9M 2016	3Q 2017	2Q 2017	3Q 2016
Net interest income	3.1	3 091	3 201	1 039	1 028	1 064
Interest income	3.1	4 747	5 048	1 605	1 566	1 673
Interest expense	3.1	- 1 655	- 1 847	- 566	- 538	- 609
Non-life insurance before reinsurance	3.7	554	450	188	179	164
Earned premiums Non-life	3.7	1 107	1 047	378	369	357
Technical charges Non-life	3.7	- 553	- 597	- 190	- 190	- 193
Life insurance before reinsurance	3.7	- 55	- 107	- 3	- 24	- 34
Earned premiums Life	3.7	861	1 163	282	267	336
Technical charges Life	3.7	- 916	- 1 271	- 284	- 291	- 370
Ceded reinsurance result	3.7	2	- 23	16	- 10	- 1
Dividend income		55	58	11	30	12
Net result from financial instruments at fair value through profit or loss	3.3	622	317	182	249	69
Net realised result from available-for-sale assets	3.4	148	181	51	52	26
Net fee and commission income	3.5	1 277	1 074	408	430	368
Fee and commission income	3.5	1 974	1 549	606	748	525
Fee and commission expense	3.5	- 697	- 475	- 198	- 318	- 157
Net other income	3.6	128	157	4	47	59
TOTAL INCOME		5 822	5 308	1 896	1 980	1 727
Operating expenses	3.8	- 3 053	- 2 985	- 914	- 910	- 895
Staff expenses	3.8	- 1 719	- 1 671	- 578	- 577	- 560
General administrative expenses	3.8	- 1 137	- 1 131	- 268	- 269	- 272
Depreciation and amortisation of fixed assets	3.8	- 197	- 183	- 68	- 65	- 62
Impairment	3.10	32	- 127	- 31	71	- 28
on loans and receivables	3.10	57	- 71	- 15	78	- 18
on available-for-sale assets	3.10	- 9	- 51	- 6	- 2	- 7
on goodwill	3.10	0	0	0	0	0
on other	3.10	- 16	- 5	- 11	- 5	- 3
Share in results of associated companies and joint ventures		16	22	8	3	9
RESULT BEFORE TAX		2 818	2 218	959	1 144	814
Income tax expense	3.12	- 641	- 476	- 268	- 288	- 184
RESULT AFTER TAX		2 176	1 742	691	855	629
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		**2 176**	**1 742**	**691**	**855**	**629**
Earnings per share (in EUR)						
Basic		5,11	4,07	1,62	2,01	1,47
Diluted		5,11	4,07	1,62	2,01	1,47

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

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	9M 2017	9M 2016	3Q 2017	2Q 2017	3Q 2016
RESULT AFTER TAX	2 176	1 742	691	855	629
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	2 176	1 742	691	855	629
Other comprehensive income - to be recycled to P&L	27	- 250	49	84	168
Net change in revaluation reserve (AFS assets) - Equity	- 19	- 142	- 14	- 42	62
Net change in revaluation reserve (AFS assets) - Bonds	- 115	401	54	45	129
Net change in revaluation reserve (AFS assets) - Other	0	0	0	0	0
Net change in hedging reserve (cash flow hedge)	182	- 506	22	80	- 35
Net change in translation differences	- 17	- 18	- 12	- 3	- 4
Net change related to associated companies & joint ventures	- 3	3	- 1	5	3
Other movements	- 1	11	0	- 1	12
Other comprehensive income - not to be recycled to P&L	58	- 312	31	- 11	- 65
Net change in defined benefit plans	63	- 312	30	- 8	- 65
Net change on own credit risk - liabilities designated at FV(T)PL	- 5	0	1	- 3	0
Net change related to associated companies & joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	2 261	1 181	771	928	732
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	2 260	1 181	771	928	732

The largest movements in other comprehensive income (9M 2017 vs. 9M 2016):

- Net change in revaluation reserve (AFS assets) – Equity: the -19 million euros in 9M 2017 can be explained for a large part by a transfer to net result (gains on disposal) partly compensated by positive stock exchange movements, while the -142 million euros in 9M 2016 can be explained for a large part by the sale of Visa Europe Limited shares (following the public offering of Visa Inc.).
- In 9M 2017 an increase in long-term interest rates drives the following impacts:
    - Net change in revaluation reserve (AFS assets) – Bonds: -115 million euros
    - Net change in hedging reserve (cash flow hedge): +182 million euros
    - Net change in defined benefit plans: +63 million euro
- In 9M 2016 a decrease in long-term interest rates drives the following impacts:
    - Net change in revaluation reserve (AFS assets) – Bonds: +401 million euros
    - Net change in hedging reserve (cash flow hedge): -506 million euros
    - Net change in defined benefit plans: -312 million euro

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	30-09-2017	31-12-2016
Cash, cash balances at central banks and other demand deposits		37 738	20 686
Financial assets	4.1 - 4.7	251 078	246 298
Held for trading	4.1 - 4.7	8 390	9 683
Designated at fair value through profit or loss	4.1 - 4.7	14 367	14 184
Available for sale	4.1 - 4.7	35 421	36 708
Loans and receivables	4.1 - 4.7	161 702	151 615
Held to maturity	4.1 - 4.7	30 834	33 697
Hedging derivatives	4.1 - 4.7	365	410
Reinsurers' share in technical provisions		137	110
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 68	202
Tax assets		2 064	2 312
Current tax assets		77	66
Deferred tax assets		1 986	2 246
Non-current assets held for sale and assets associated with disposal groups		31	8
Investments in associated companies and joint ventures		223	212
Investment property		463	426
Property and equipment		2 548	2 451
Goodwill and other intangible assets		1 164	999
Other assets		1 507	1 496
TOTAL ASSETS		296 885	275 200

LIABILITIES AND EQUITY (in millions of EUR)	Note	30-09-2017	31-12-2016
Financial liabilities	4.1 - 4.7	255 619	234 300
Held for trading	4.1 - 4.7	6 944	8 559
Designated at fair value through profit or loss	4.1 - 4.7	15 058	16 553
Measured at amortised cost	4.1 - 4.7	232 127	207 485
Hedging derivatives	4.1 - 4.7	1 490	1 704
Technical provisions, before reinsurance		18 696	19 657
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 5	204
Tax liabilities		714	681
Current tax liabilities		202	188
Deferred tax liabilies		512	493
Provisions for risks and charges		344	238
Other liabilities		3 113	2 763
TOTAL LIABILITIES		278 482	257 843
Total equity	5.10	18 403	17 357
Parent shareholders' equity	5.10	17 003	15 957
Additional Tier-1 instruments included in equity	5.10	1 400	1 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		296 885	275 200

In order to align with the consolidated financial reporting framework (FINREP) of the European Banking Authority, the presentation of the balance sheet has been slightly changed: Cash and cash balances includes as of 2017 also other demand deposits with credit institutions and consequently has been renamed ‘Cash, cash balances at central banks and other demand deposits from credit institutions’. The reference figures have been restated accordingly (shift of 538 million euros mainly from Loans and receivables).

The balance sheet of 30 September 2017 includes UBB/Interlease: for more information see note ‘Main changes in the scope of consolidation’ (note 6.6) further in this report.

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Own credit risk (through OCI)	Retained earnings	Translation differences	Parent share-holders' equity	Additional Tier-1 instruments included in equity	Minority interests	Total equity
30-09-2017													
Balance at the beginning of the period (01-01-2017)	**1 455**	**5 453**	**0**	**1 756**	**-1 347**	**-138**	**-4**	**8 751**	**31**	**15 957**	**1 400**	**0**	**17 357**
Net result for the period	0	0	0	0	0	0	0	2 176	0	2 176	0	0	2 176
Other comprehensive income for the period	0	0	0	-143	182	63	-5	-1	-11	84	0	0	84
Total comprehensive income	**0**	**0**	**0**	**-143**	**182**	**63**	**-5**	**2 175**	**-11**	**2 260**	**0**	**0**	**2 261**
Dividends	0	0	0	0	0	0	0	-1 171	0	-1 171	0	0	-1 171
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	-39	0	-39	0	0	-39
Purchases of treasury shares	0	0	-5	0	0	0	0	0	0	-5	0	0	-5
Total change	**0**	**0**	**-5**	**-143**	**182**	**63**	**-5**	**965**	**-11**	**1 046**	**0**	**0**	**1 046**
Balance at the end of the period	**1 455**	**5 453**	**-5**	**1 613**	**-1 165**	**-75**	**-9**	**9 716**	**20**	**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	0	0	0	13	29			29
30-09-2016													
Balance at the beginning of the period (01-01-2016)	**1 454**	**5 437**	**0**	**1 782**	**-1 146**	**94**	**0**	**6 779**	**11**	**14 411**	**1 400**	**0**	**15 811**
Net result for the period	0	0	0	0	0	0	0	1 742	0	1 742	0	0	1 742
Other comprehensive income for the period	0	0	0	263	-506	-312	0	11	-18	-561	0	0	-561
Total comprehensive income	**0**	**0**	**0**	**263**	**-506**	**-312**	**0**	**1 754**	**-18**	**1 181**	**0**	**0**	**1 181**
Dividends	0	0	0	0	0	0	0	-418	0	-418	0	0	-418
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	-39	0	-39	0	0	-39
Total change	**0**	**0**	**0**	**263**	**-506**	**-312**	**0**	**1 296**	**-18**	**723**	**0**	**0**	**723**
Balance at the end of the period	**1 454**	**5 437**	**0**	**2 045**	**-1 652**	**-218**	**0**	**8 075**	**-7**	**15 135**	**1 400**	**0**	**16 534**
of which revaluation reserve for shares				405									
of which revaluation reserve for bonds				1 640									
of which relating to equity method				25	0	0		0	7	32			32

As an advance payment of the total 2016 dividend, KBC decided to distribute an interim dividend of 1 euro per share (418 million euros in total), paid on 18 November 2016 (already deducted from retained earnings in 3Q 2016).
Furthermore, for 2016 the board of directors proposed to the general meeting of shareholders, who approved this on 4 May 2017, that a closing dividend of 1.80 euros is paid out per share entitled to dividend (753 million euros in total). This dividend is deducted from retained earnings and was accounted for in 2Q 2017.
In line with our dividend policy, the Board of 9 August 2017 has decided to pay an interim dividend of 1 euro per share (418 million euros in total), as an advance payment on the total dividend (payment date 17 November 2017) (already deducted from retained earnings in 3Q 2017).

Condensed consolidated cash flow statement

In millions of EUR	9M 2017	9M 2016
Cash and cash equivalents at the beginning of the period	26 747	10 987
Net cash from (used in) operating activities	14 857	9 413
Net cash from (used in) investing activities	2 973	345
Net cash from (used in) financing activities	- 359	- 1 259
Effects of exchange rate changes on opening cash and cash equivalents	416	10
Cash and cash equivalents at the end of the period	44 633	19 496

Cash and cash equivalents increased substantially in 9M 2017 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.

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

Notes on statement of compliance and changes in accounting policies

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

The condensed interim financial statements of the KBC Group for the first 9 months ended 30 September 2017 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 2016, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The same accounting policies, methods of computation and presentation have been followed in its preparation as were applied in the most recent annual financial statements, except for the following items:

- For financial liabilities, IFRS 9 changes the presentation of gains and losses on own credit risk for financial instruments designated at fair value through profit or loss. KBC early adopts this aspect of IFRS 9 with effect from 1 January 2017 and the gains and losses on own credit risk go through other comprehensive income from now on. The impact of early adoption is minimal given the limited effect of own credit risk.
- In order to align with the consolidated financial reporting framework (FINREP) of the European Banking Authority, the presentation of the balance sheet has been slightly changed: Cash and cash balances includes as of 2017 also other demand deposits with credit institutions and consequently has been renamed 'Cash, cash balances at central banks and other demand deposits from credit institutions'. The reference figures have been restated accordingly (shift of 538 million euros mainly from Loans and receivables).
- Due to a change of accounting policy the decision was made to release in Non-Life the indexation provision. This change of accounting policy was approved by the Board of Directors in August 2017. No retrospective restatement of the financial statements according IAS 8 have been performed as the total impact on KBC Group financial statements can be considered immaterial (one-off impact of +26 million euros before tax).

Summary of significant accounting policies (note 1.2 in the annual accounts 2016)

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

Notes on segment reporting

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

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
9M 2017									
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	16
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
9M 2016									
Net interest income	2 050	634	542	*172*	*160*	*36*	*174*	- 25	3 201
Non-life insurance before reinsurance	319	55	68	*24*	*15*	*28*	*0*	9	450
Earned premiums Non-life	755	140	146	*61*	*24*	*61*	*0*	7	1 047
Technical charges Non-life	- 436	- 85	- 78	*- 36*	*- 9*	*- 34*	*0*	3	- 597
Life insurance before reinsurance	- 146	26	13	*1*	*9*	*3*	*0*	0	- 107
Earned premiums Life	919	177	68	*12*	*39*	*17*	*0*	0	1 163
Technical charges Life	- 1 065	- 151	- 54	*- 11*	*- 30*	*- 14*	*0*	0	- 1 271
Ceded reinsurance result	- 3	- 1	- 4	*- 1*	*- 1*	*- 1*	*0*	- 15	- 23
Dividend income	46	0	0	*0*	*0*	*0*	*0*	12	58
Net result from financial instruments at fair value through profit or loss	155	93	65	*51*	*13*	*1*	*0*	4	317
Net realised result from available-for-sale assets	84	48	36	*18*	*15*	*3*	*0*	13	181
Net fee and commission income	790	141	151	*117*	*34*	*- 3*	*0*	- 8	1 074
Net other income	142	16	- 3	*0*	*3*	*- 4*	*- 3*	3	157
TOTAL INCOME	3 437	1 011	868	*383*	*248*	*64*	*171*	- 7	5 308
Operating expenses	- 1 876	- 457	- 561	*- 256*	*- 144*	*- 41*	*- 117*	- 91	- 2 985
Impairment	- 119	- 13	31	*12*	*- 8*	*- 4*	*31*	- 27	- 127
on loans and receivables	- 67	- 12	34	*14*	*- 8*	*- 4*	*32*	- 27	- 71
on available-for-sale assets	- 51	0	0	*0*	*0*	*0*	*0*	0	- 51
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
on other	- 1	- 1	- 3	*- 2*	*0*	*0*	*- 1*	0	- 5
Share in results of associated companies and joint ventures	0	19	0	*0*	*0*	*0*	*0*	3	22
RESULT BEFORE TAX	1 442	560	338	*139*	*95*	*18*	*85*	- 121	2 218
Income tax expense	- 448	- 95	- 49	*- 32*	*- 19*	*- 2*	*4*	117	- 476
RESULT AFTER TAX	994	465	289	*106*	*76*	*16*	*89*	- 5	1 742
Attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
NET RESULT	993	465	289	*106*	*76*	*16*	*89*	- 5	1 742

Other notes

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

In millions of EUR	9M 2017	9M 2016	3Q 2017	2Q 2017	3Q 2016
Total	3 091	3 201	1 039	1 028	1 064
Interest income	4 747	5 048	1 605	1 566	1 673
Available-for-sale assets	492	532	165	161	180
Loans and receivables	2 854	2 869	976	957	949
Held-to-maturity investments	645	732	207	203	243
Other assets not at fair value	119	61	45	41	21
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*4 110*	*4 193*	*1 393*	*1 363*	*1 393*
Financial assets held for trading	440	520	145	143	168
Hedging derivatives	192	220	65	59	67
Other financial assets at fair value through profit or loss	4	116	2	1	44
Interest expense	-1 655	-1 847	- 566	- 538	- 609
Financial liabilities measured at amortised cost	- 714	- 674	- 249	- 237	- 221
Other	- 68	- 12	- 28	- 22	- 8
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 781*	*- 686*	*- 277*	*- 259*	*- 228*
Financial liabilities held for trading	- 488	- 596	- 154	- 163	- 191
Hedging derivatives	- 358	- 432	- 126	- 107	- 141
Other financial liabilities at fair value through profit or loss	- 23	- 128	- 7	- 8	- 47
Net interest expense on defined benefit plans	- 5	- 4	- 2	- 2	- 1

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

The result from financial instruments at fair value through profit or loss in 3Q 2017 is 66 million euros lower compared to 2Q 2017. The quarter-on-quarter decrease is due to:

- lower results for MtM ALM derivatives related to the high level in 2Q 2017 for a large part attributable to CZK swaps as a result of the evolution of interest rate spreads between CZK and EUR in 2Q (sharp tightening of interest rate spreads between CZK and EUR)
- a lower level of dealing room income due to a weaker performance of the Belgian dealing room
- partly offset by slightly positive market value adjustments in 3Q 2017 (compared to negative in 2Q 2017)

Compared to 3Q 2016, the result from financial instruments at fair value through profit or loss is 113 million euros higher in 3Q 2017, for a large part explained by:

- a higher level of dealing room income in Belgium as well as in the Czech Republic
- slightly positive market value adjustments in 3Q 2017 (compared to negative in 3Q 2016)
- slightly higher results for MtM ALM derivatives

The result from financial instruments at fair value through profit or loss in 9M 2017 is 305 million euros higher compared to 9M 2016, for a large part explained by:

- a substantially higher level of dealing room income
- higher results for MtM ALM derivatives (due to an interest increase in 9M 2017 versus a decrease in 9M 2016)
- positive market value adjustments in 9M 2017 (compared to negative in 9M 2016)

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

In millions of EUR	9M 2017	9M 2016	3Q 2017	2Q 2017	3Q 2016
Total	148	181	51	52	26
Breakdown by portfolio					
Fixed-income securities	24	21	2	8	14
Shares	124	159	49	44	11

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

In millions of EUR	9M 2017	9M 2016	3Q 2017	2Q 2017	3Q 2016
Total	1 277	1 074	408	430	368
Income	1 974	1 549	606	748	525
Expense	- 697	- 475	- 198	- 318	- 157
Breakdown by type					
Asset Management Services	931	743	295	314	261
Income	973	770	308	331	270
Expense	- 41	- 27	- 13	- 18	- 9
Banking Services	561	537	187	190	176
Income	957	738	283	407	251
Expense	- 397	- 202	- 96	- 217	- 75
Distribution	- 215	- 206	- 74	- 73	- 70
Income	44	41	15	10	12
Expense	- 259	- 247	- 89	- 83	- 82

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

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

In 2Q 2017, within banking services, both the fee and commission income as well as the expense were inflated due to stock lending:

- the income included dividends received directly by KBC on borrowed shares,
- while the expense included the transfer of these dividends from KBC to the lender of the shares.

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

In millions of EUR	9M 2017	9M 2016	3Q 2017	2Q 2017	3Q 2016
Total	128	157	4	47	59
Of which net realised result following					
The sale of loans and receivables	2	1	0	0	1
The sale of held-to-maturity investments	2	3	0	- 4	2
The repurchase of financial liabilities measured at amortised cost	0	- 7	0	0	0
Other: of which:	124	161	4	51	57
Income concerning leasing at the KBC Lease-group	59	59	19	20	20
Income from Group VAB	49	53	13	18	15
Tracker mortgage review provision	- 54	- 4	- 54	0	- 4
Legal interests	5	0	5	0	0
One-off fee paid (Bulgaria)	- 5	0	- 5	0	0
Settlement of an old legal file (Czech Republic)	14	0	0	0	0

In 3Q 2017, an additional 54 million euros provision were booked related to an ongoing industry wide review of legacy issues associated with tracker rate mortgage products in Ireland.
Like all major lenders in Ireland, KBC Ireland offered tracker mortgage loans. In KBC Ireland, these were available between 2003 and 2008.
In a prior review concluded in 2010, KBC Ireland identified 571 customers that would have moved from a fixed rate mortgage to a standard variable rate, but based on a review of their individual circumstances, the bank concluded that these customers should return to a tracker rate following the fixed rate period. These customers had their accounts amended prior to the expiry of the fixed rate period so they then correctly rolled to a tracker product.
Under the current Tracker Examination, KBC Ireland has so far identified an additional 490 impacted customers that did not move to a tracker rate after a fixed rate period or were moved off their tracker rate following a change to the terms of their loan or are on the incorrect tracker rate. As part of the ongoing review and within the Tracker Examination, KBC Ireland continues to examine tracker mortgage customer files and as a result anticipates that up to an additional *200 to* 600 customers may be impacted. KBC Ireland expects to have concluded the identification of the vast majority of customers impacted by the Tracker Examination by year end. As such an additional 54 million euros provision were booked in 3Q 2017.

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
9M 2017				
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				360
attributable to minority interest				0
attributable to equity holders of the parent				360
9M 2016				
Earned premiums, insurance (before reinsurance)	1 165	1 062		2 227
Technical charges, insurance (before reinsurance)	- 1 271	- 597		- 1 868
Net fee and commission income	- 25	- 202		- 227
Ceded reinsurance result	- 1	- 22		- 23
Operating expenses	- 102	- 183	- 2	- 287
Internal costs claim paid	- 6	- 43		- 49
Administration costs related to acquisitions	- 24	- 62		- 86
Administration costs	- 72	- 78		- 150
Management costs investments	0	0	- 2	- 2
Technical result	- 234	58	- 2	- 178
Net interest income			467	467
Dividend income			39	39
Net result from financial instruments at fair value			- 10	- 10
Net realised result from AFS assets			50	50
Net other income			0	0
Impairments			- 52	- 52
Allocation to the technical accounts	415	53	- 468	0
Technical-financial result	181	111	24	316
Share in results of associated companies and joint ventures			3	3
RESULT BEFORE TAX	181	111	27	319
Income tax expense				- 103
RESULT AFTER TAX				216
attributable to minority interest				0
attributable to equity holders of the parent				217

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

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

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

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

The operating expenses for 3Q 2017 include 18 million euros related to bank (and insurance) levies (19 million euros in 2Q 2017; 24 million euros in 3Q 2016; 398 million euros in 9M 2017 and 410 million euros in 9M 2016). Application of IFRIC 21 (Levies) has as a consequence that a large part of the levies are taken upfront in expense of the first quarter of the year.

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

In millions of EUR	9M 2017	9M 2016	3Q 2017	2Q 2017	3Q 2016
Total	32	- 127	- 31	71	- 28
Impairment on loans and receivables	57	- 71	- 15	78	- 18
Breakdown by type					
Specific impairments for on-balance-sheet lending	88	- 30	5	63	3
Provisions for off-balance-sheet credit commitments	- 58	4	- 31	5	- 3
Portfolio-based impairments	27	- 45	11	10	- 18
Breakdown by business unit					
Business unit Belgium	- 75	- 67	- 21	4	- 33
Business unit Czech Republic	- 7	- 12	- 1	- 7	- 2
Business unit International Markets	152	34	12	92	37
of which: Hungary	*10*	*14*	*0*	*9*	*11*
of which: Slovakia	*- 9*	*- 8*	*- 7*	*- 1*	*- 1*
of which: Bulgaria	*- 11*	*- 4*	*- 7*	*- 3*	*- 1*
of which: Ireland	*162*	*32*	*26*	*87*	*28*
Group Centre	- 13	- 27	- 6	- 11	- 20
Impairment on available-for-sale assets	- 9	- 51	- 6	- 2	- 7
Breakdown by type					
Shares	- 9	- 51	- 6	- 2	- 7
Other	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 16	- 5	- 11	- 5	- 3
Intangible assets, other than goodwill	- 1	- 1	- 1	0	0
Property and equipment and investment property	- 12	- 2	- 8	- 4	- 1
Held-to-maturity assets	0	- 1	0	0	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 3	- 1	- 2	- 1	- 1

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

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

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

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Total	Total excluding UBB/Interlease
FINANCIAL ASSETS, 30-09-2017								
Loans and advances to credit institutions and investment firms [a]	452	1	0	19 823	-	-	20 275	20 220
Loans and advances to customers [b]	21	40	0	140 404	-	-	140 466	138 645
Excluding reverse repos	*1*	*40*	*0*	*139 497*	-	-	*139 538*	*137 726*
Trade receivables	0	0	0	3 661	-	-	3 661	3 661
Consumer credit	0	0	0	3 883	-	-	3 883	3 545
Mortgage loans	0	26	0	59 292	-	-	59 318	58 904
Term loans	20	15	0	62 522	-	-	62 557	61 833
Finance leasing	0	0	0	5 308	-	-	5 308	5 157
Current account advances	0	0	0	5 120	-	-	5 120	4 926
Securitised loans	0	0	0	0	-	-	0	0
Other	1	0	0	619	-	-	620	620
Equity instruments	469	3	1 685	-	-	-	2 156	2 145
Investment contracts (insurance)	-	14 093	-	-	-	-	14 093	14 093
Debt securities issued by	1 361	229	33 736	956	30 834	-	67 117	66 440
Public bodies	1 122	40	22 528	59	28 888	-	52 637	52 016
Credit institutions and investment firms	174	174	5 159	127	1 241	-	6 875	6 830
Corporates	65	15	6 049	771	705	-	7 605	7 594
Derivatives	6 087	-	-	-	-	365	6 452	6 451
Other	0	0	0	518	0	0	518	518
Total carrying value	8 390	14 367	35 421	161 702	30 834	365	251 078	248 513
[a] *Of which reverse repos*							*15 082*	*15 082*
[b] *Of which reverse repos*							*928*	*920*
FINANCIAL ASSETS, 31-12-2016								
Loans and advances to credit institutions and investment firms [a]	6	1	0	16 922	-	-	16 929	
Loans and advances to customers [b]	1	77	0	133 154	-	-	133 231	
Excluding reverse repos	*1*	*45*	*0*	*132 810*	-	-	*132 856*	
Trade receivables	0	0	0	3 549	-	-	3 549	
Consumer credit	0	0	0	3 180	-	-	3 180	
Mortgage loans	0	29	0	57 307	-	-	57 335	
Term loans	0	49	0	59 035	-	-	59 083	
Finance leasing	0	0	0	4 916	-	-	4 916	
Current account advances	0	0	0	4 640	-	-	4 640	
Other	1	0	0	527	-	-	528	
Equity instruments	427	2	1 723	-	-	-	2 153	
Investment contracts (insurance)	-	13 693	-	-	-	-	13 693	
Debt securities issued by	1 001	411	34 985	1 015	33 697	-	71 109	
Public bodies	713	47	22 982	16	32 131	-	55 889	
Credit institutions and investment firms	127	174	5 032	140	948	-	6 421	
Corporates	161	190	6 970	859	618	-	8 799	
Derivatives	8 249	-	-	-	-	410	8 659	
Other	0	0	0	524	-	-	525	
Total carrying value	9 683	14 184	36 708	151 615	33 697	410	246 298	
[a] *Of which reverse repos*							*11 776*	
[b] *Of which reverse repos*							*376*	

In millions of EUR	Held for trading	Designated at fair value	Hedging derivatives	Measured at amortised cost	Total	Total excluding UBB/Interlease
FINANCIAL LIABILITIES, 30-09-2017						
Deposits from credit institutions and investment firms [a]	36	50	-	40 890	40 975	40 960
Deposits from customers and debt certificates [b]	346	1 714	-	188 765	190 824	187 691
Excluding repos	*345*	*1 714*	-	*186 903*	*188 962*	*185 828*
Demand deposits	0	0	-	71 739	71 739	70 200
Time deposits	90	717	-	20 556	21 362	20 510
Saving accounts	0	0	-	56 272	56 272	55 568
Special deposits	0	0	-	2 275	2 275	2 275
Other deposits	0	0	-	567	567	528
Certificates of deposit	0	9	-	18 916	18 925	18 925
Customer savings certificates	0	0	-	1 779	1 779	1 779
Non-convertible bonds	256	798	-	13 312	14 365	14 365
Non-convertible subordinated liabilities	0	190	-	3 349	3 540	3 540
Liabilities under investment contracts	-	13 294	-	0	13 294	13 294
Derivatives	5 804	0	1 490	-	7 294	7 294
Short positions	753	0	-	-	753	753
in equity instruments	46	0	-	-	46	46
in debt instruments	707	0	-	-	707	707
Other	6	0	-	2 472	2 478	2 478
Total carrying value	6 944	15 058	1 490	232 127	255 619	252 470
[a] *Of which repos*					*12 180*	*12 180*
[b] *Of which repos*					*1 863*	*1 863*

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

Additional information on quarterly time series

Loans and deposits

In millions of EUR	30-09-2017	30-06-2017	31-03-2017	31-12-2016	30-09-2016
Total customer loans excluding reverse repo					
Business unit Belgium	93 512	93 494	92 307	91 804	90 605
Business unit Czech Republic	22 155	21 520	20 253	19 552	19 269
Business unit International Markets	23 871	23 508	21 487	21 496	21 268
of which: Hungary	*4 073*	*3 893*	*3 825*	*3 802*	*3 727*
of which: Slovakia	*6 434*	*6 284*	*6 217*	*6 094*	*5 910*
of which: Bulgaria	*2 695*	*2 684*	*826*	*835*	*773*
of which: Ireland	*10 669*	*10 648*	*10 618*	*10 765*	*10 859*
Group Centre	0	0	0	4	268
KBC Group	139 538	138 522	134 047	132 856	131 410
Mortgage loans					
Business unit Belgium	34 222	34 079	34 085	34 265	34 079
Business unit Czech Republic	10 245	9 867	9 273	9 077	8 799
Business unit International Markets	14 850	14 661	14 058	13 993	13 897
of which: Hungary	*1 532*	*1 494*	*1 469*	*1 451*	*1 441*
of which: Slovakia	*2 861*	*2 770*	*2 695*	*2 608*	*2 491*
of which: Bulgaria	*660*	*657*	*236*	*234*	*235*
of which: Ireland	*9 797*	*9 740*	*9 657*	*9 700*	*9 731*
Group Centre	0	0	0	0	0
KBC Group	59 318	58 607	57 416	57 335	56 776
Customer deposits and debt certificates excl. repos					
Business unit Belgium	128 895	129 825	127 005	125 074	116 489
Business unit Czech Republic	29 529	28 925	27 770	26 183	25 403
Business unit International Markets	22 056	21 714	18 539	18 344	18 018
of which: Hungary	*6 980*	*6 663*	*6 756*	*6 814*	*6 096*
of which: Slovakia	*5 714*	*5 820*	*5 745*	*5 739*	*5 840*
of which: Bulgaria	*3 998*	*3 846*	*808*	*792*	*750*
of which: Ireland	*5 364*	*5 385*	*5 229*	*4 999*	*5 333*
Group Centre	8 481	8 244	7 793	7 820	7 624
KBC Group	188 962	188 708	181 107	177 421	167 534

Note: figures of which UBB/Interlease on 30 June 2017 (first consolidation of the balance sheet):

- *total customer loans excluding reverse repo: 1 822 million euros*
- *mortgage loans: 419 million euros*
- *customer deposits and debt certificates excl. repos: 3 016 million euros*

Technical provisions plus unit linked, life insurance

	30-09-2017		30-06-2017		31-03-2017		31-12-2016		30-09-2016	
In millions of EUR	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	13 775	13 115	13 940	13 161	14 235	12 952	14 567	12 760	14 660	12 609
Business unit Czech Republic	601	556	594	549	576	525	575	525	575	460
Business unit International Markets	212	422	215	419	220	411	220	408	217	402
of which: Hungary	*55*	*291*	*55*	*290*	*55*	*285*	*55*	*284*	*55*	*280*
of which: Slovakia	*113*	*126*	*113*	*125*	*113*	*123*	*116*	*122*	*112*	*120*
of which: Bulgaria	*44*	*5*	*47*	*4*	*52*	*3*	*49*	*2*	*50*	*2*
KBC Group	14 588	14 093	14 749	14 129	15 031	13 887	15 362	13 693	15 452	13 471

Note: adjusted figures for reference periods.

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

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

Fair value hierarchy				30-09-2017				31-12-2016
In millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	1 217	5 075	2 097	8 390	1 034	6 585	2 064	9 683
Designated at fair value	13 684	509	174	14 367	13 377	616	191	14 184
Available for sale	28 896	5 607	918	35 421	31 427	3 716	1 565	36 708
Hedging derivatives	0	365	0	365	0	410	0	410
Total	43 797	11 556	3 189	58 542	45 838	11 328	3 820	60 986
Financial liabilities measured at fair value								
Held for trading	743	3 936	2 266	6 944	665	5 659	2 234	8 559
Designated at fair value	13 288	1 455	314	15 058	12 652	3 344	557	16 553
Hedging derivatives	0	1 490	0	1 490	0	1 704	0	1 704
Total	14 031	6 882	2 580	23 492	13 318	10 707	2 791	26 815

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

In the first 9 months of 2017, a total amount of 1 822 million euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred 197 million euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due to a change in methodology driven by the implementation in 3Q 2017 of a fully automated process using the BVAL valuation for bonds of KBC Bank, CBC Banque, KBC Insurance and KBC Credit Investments. BVAL is a widely used pricing solution offered by Bloomberg which uses an average of market prices to provide quotes for bonds. The use of BVAL changes the decision tree for fair value levelling.

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

In the first 9 months of 2017 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 debt securities decreased by 82 million euros, mainly due to sales and the fair value of equities increased by 111 million euros due to purchases. The fair value of derivatives increased by 4 million euros due to a combination of acquisitions, maturing deals and positive fair value movements.

- In the assets designated at fair value through profit and loss, the fair value of debt securities decreased by 17 million euros, mainly due to transfers into level 3 for 171 million euros because of one bond which had to be recalibrated. This was more than offset by sales for 167 million euros, transfers out of level 3 for 11 million euros mainly due to the use of BVal pricing and decreases in fair value of 9 million euros due to shifts in exchange rate.

- The available for sale category dropped with 647 million euros:
    - In the available for sale assets, the fair value of debt securities decreased by 710 million euros mainly due to transfer out of level 3:
        - A total amount of bonds of about 91 million euros was transferred into level 3 and 761 million euros out of level 3. The majority of the transfers is due to the use of BVal pricing.
        - The fair value decreased by 126 million euros due to sales and maturities, largely offset by purchases of 89 million euros.
        - The remaining decrease in fair value is due to negative fair value movements.
    - In the available for sale unquoted equities, total fair value increased by 63 million euros for a large part due to acquisitions and positive fair value changes offsetting the sales

- In the liabilities held for trading, the fair value of derivatives increased by 32 million euros, resulting from purchases of derivatives for 289 million euros largely offset by maturing derivative positions and fair value movements.

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

in number of shares	30-09-2017	31-12-2016
Ordinary shares	**418 372 082**	**418 372 082**
of which ordinary shares that entitle the holder to a dividend payment	*418 372 082*	*418 372 082*
of which treasury shares	*65 946*	*2*
Other information		
Par value per ordinary share (in EUR)	3,48	3,48
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels).
The treasury shares at 30 September 2017 almost fully relate to positions in shares of KBC Group to hedge outstanding equity derivatives.

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

In 2016:
no material changes

In 9M 2017:
On 30 December 2016, KBC announced the acquisition of 99,91% of the shares of the United Bulgarian Bank AD and 100% of Interlease EAD in Bulgaria for a total consideration of 610 million euros, without any contingent consideration. On 13 June 2017, KBC completed this acquisition after approval by the relevant regulatory authorities and received anti-trust approval (final total consideration is 609 million euros fully paid in cash).

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

Together, UBB-CIBANK and DZI will become the reference in bank-insurance in Bulgaria, one of KBC's core markets. Following this acquisition, KBC will also become active in leasing, asset management and factoring in Bulgaria, offering its clients now a full range of financial services.

The operational integration of the business entities will be gradually introduced in the coming months. KBC envisages substantial value creation for shareholders through income and cost synergies.

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

- KBC recorded a provisional goodwill in its consolidated financial statements of 107 million euro at 30 June 2017 -slightly amended to 109 million euro at 30 September 2017 - taking into account specific negative fair value adjustments amounting to 83 million euro after tax which KBC identified during the due diligence process. Note that IFRS 3 (Business Combinations) allows to adjust the amount of goodwill during the 12 months measurement period starting from the acquisition date, hence the amount of goodwill is provisional and subject to change. The goodwill is not deductible for tax purposes.
- UBB and Interlease are part of the operating segment International Markets, country Bulgaria (see note 2).
- The impact of this acquisition on the financial assets and liabilities by product is shown in note 4.1: this note includes an additional pro forma column 'Total excluding UBB/Interlease' for informational purposes in order to provide a transparent view on the evolution of the financial assets and liabilities excluding this acquisition.
- There is an impact on the income statement as of 3Q 2017, but not yet in 2Q 2017 as the closing date (on which the control was transferred to KBC) was very close to 30 June 2017. For the contribution of UBB/Interlease to the consolidated income statement of KBC: see table below.
- The transaction had only a limited negative impact of 0.50% on KBC's solid capital position of 30 June 2017, keeping its CET1 ratio well above the regulatory minimum capital requirements.

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

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

in millions of EUR	
Contribution to the consolidated income statement of 3Q 2017 of UBB/Interlease	3Q 2017
Net interest income	28
Dividend income	0
Net result from financial instruments at fair value through profit or loss	6
Net realised result from available-for-sale assets	0
Net fee and commission income	12
Net other income	-4
TOTAL INCOME	**42**
Operating expenses	-20
Impairment	-7
on loans and receivables	-6
on available-for-sale assets	-1
on goodwill	0
on other	0
Share in results of associated companies and joint ventures	0
RESULT BEFORE TAX	**16**
Income tax expense	-2
RESULT AFTER TAX	**14**
Attributable to minority interests	0
NET RESULT	**14**

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

Significant non-adjusting events between the balance sheet date (30 September 2017) and the publication of this report (16 November 2017):

The planned reform of the Belgian corporate income tax regime, as announced on 26 July 2017, will impact KBC mainly because of the gradual decrease of the tax rate from 33,99% to 29,58% as of accounting year 2018 and to 25% as of accounting year 2020. Based on the expectation that the new ratios will be substantially enacted by the end of 2017. This would lead to:

- a slightly positive one-off impact on the CET1 ratio (fully loaded under the Danish Compromise) in 4Q 2017 of roughly +0.2% thanks to amongst others:
  - higher AFS revaluation reserves after tax
  - lower risk weighted assets due to lower outstanding deferred tax assets

  despite
  - an estimated one-off upfront negative P&L impact of 230m EUR expected in 4Q 2017, which will only have a small effect on CET1 as most of the impact was already deducted from common equity through the deduction of tax-loss-carry-forward DTAs
- a recurring positive P&L impact as of 2018 onwards as the lower tax rate from 2018 onwards will have a positive impact on income taxes of the Belgian KBC entities: amount depending on the pre-tax profit numbers in the coming years.

REPORT OF THE ACCREDITED AUDITOR TO THE SHAREHOLDERS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2017 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 2017 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 296.885 million and a consolidated profit (share of the group) for the nine-month period then ended of EUR 2.176 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 for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2017, and of its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Sint-Stevens-Woluwe, 15 November 2017

The statutory auditor
PwC Bedrijfsrevisoren bcvba
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group
Additional Information
3Q 2017 and 9M 2017

Section not reviewed by the Auditor

Credit risk

Snapshot of the credit portfolio (banking activities)

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

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	30-09-2017	31-12-2016
Amount granted	188	181
Amount outstanding [1]	153	148
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	63%	65%
Czech Republic	16%	15%
International Markets	18%	17%
Group Centre	3%	3%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	42.1%	42.3%
Finance and insurance	5.7%	5.7%
Authorities	2.8%	3.1%
Corporates	49.5%	48.9%
services	11.4%	11.5%
distribution	7.6%	7.6%
real estate	6.9%	6.9%
building & construction	4.2%	4.2%
agriculture, farming, fishing	2.8%	2.8%
automotive	2.3%	2.2%
electricity	1.6%	1.6%
food producers	1.5%	1.4%
metals	1.4%	1.4%
shipping	1.2%	1.2%
chemicals	1.2%	1.1%
machinery & heavy equipment	1.1%	1.1%
traders	0.9%	0.9%
hotels, bars & restaurants	0.8%	0.9%
oil, gas & other fuels	0.8%	0.7%
electrotechnics	0.6%	0.6%
textile & apparel	0.5%	0.4%
other [2]	2.7%	2.5%
Total outstanding loan portfolio geographical breakdown		
Home countries	88.4%	88.2%
Belgium	54.9%	56.8%
Czech Republic	15.1%	14.0%
Ireland	8.2%	8.9%
Slovakia	4.9%	4.8%
Hungary	3.2%	3.1%
Bulgaria	2.2%	0.6%
Rest of Western Europe	7.4%	7.3%
France	1.8%	1.8%
Netherlands	1.7%	1.7%
Great Britain	1.1%	1.1%
Spain	0.5%	0.6%
Luxemburg	0.5%	0.6%
Germany	0.6%	0.4%
other	1.1%	1.0%
Rest of Central Europe	0.4%	0.5%
Russia	0.1%	0.1%
other	0.4%	0.4%
North America	1.4%	1.6%
USA	1.1%	1.4%
Canada	0.3%	0.2%
Asia	0.8%	0.8%
China	0.3%	0.3%
Hong Kong	0.2%	0.2%
Singapore	0.2%	0.2%
other	0.1%	0.1%
Rest of the world	1.5%	1.6%

	30-09-2017	31-12-2016
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 060	10 583
of which: more than 90 days past due	5 702	5 711
Ratio of impaired loans, per business unit		
Belgium	2.8%	3.3%
Czech Republic	2.5%	2.8%
International Markets	22.4%	25.4%
Group Centre	9.7%	8.8%
Total	6.6%	7.2%
of which: more than 90 days past due	3.7%	3.9%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	4 777	4 874
of which: more than 90 days past due	3 676	3 603
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	47%	46%
of which: more than 90 days past due	64%	63%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	57%	54%
of which: more than 90 days past due	74%	72%
Credit cost, by business unit (%)		
Belgium	0.10%	0.12%
Czech Republic	0.04%	0.11%
International Markets	-0.74%	-0.16%
Slovakia	0.17%	0.24%
Hungary	-0.27%	-0.33%
Bulgaria	0.85%	0.32%
Ireland	-1.68%	-0.33%
Group Centre	0.40%	0.67%
Total	-0.05%	0.09%

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

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

The loan portfolios of United Bulgarian Bank AD and Interlease EAD are included in the 30 September 2017 figures for a total outstanding amount of 2.4 billion euros. This amount differs from the accounting figure of loans and advances to customers excluding reverse repos mainly since the latter amount is net of impairment. The loan portfolios are assigned to Business Unit International Markets, country Bulgaria and included in all the reported ratio's .

Credit portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium
30-09-2017, in millions of EUR

	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total outstanding amount	**90 234**			**6 099**			**96 333**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	26 473	29,3%		6 099	100,0%		32 572	33,8%	
retail	63 761	70,7%		0	0,0%		63 761	66,2%	
o/w private	34 999	38,8%		0	0,0%		34 999	36,3%	
o/w companies	28 761	31,9%		0	0,0%		28 761	29,9%	
Mortgage loans [2]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	33 514	37,1%	61%	0	0,0%	-	33 514	34,8%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	1 403	1,6%	-	0	0,0%	-	1 403	1,5%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	68 606	76,0%		3 697	60,6%		72 303	75,1%	
medium risk (PD 5-7; 0.80%-6.40%)	16 735	18,5%		1 934	31,7%		18 669	19,4%	
high risk (PD 8-9; 6.40%-100.00%)	2 433	2,7%		122	2,0%		2 555	2,7%	
impaired loans (PD 10 - 12)	2 401	2,7%		344	5,6%		2 745	2,8%	
unrated	59	0,1%		2	0,0%		60	0,1%	
Overall risk indicators		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	2 401	1 150	47,9%	344	179	52,0%	2 745	1 329	48,4%
o/w PD 10 impaired loans	1 036	208	20,1%	235	93	39,7%	1 271	302	23,7%
o/w more than 90 days past due (PD 11+12)	1 365	942	69,0%	109	85	78,3%	1 474	1 027	69,7%
all impairments (specific + portfolio based)	n.a.			n.a.			1 428		
o/w portfolio based impairments	n.a.			n.a.			100		
o/w specific impairments	1 150			179			1 329		
2016 Credit cost ratio (CCR)	0,11%			0,32%			0,12%		
YTD 2017 CCR	0,10%			0,21%			0,10%		

Remarks

[1] Belgium = KBC Bank (all retail and corporate credit lending activities except for the foreign branches), CBC, KBC Lease part Belgium, 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

30-09-2017, in millions of EUR				For information: ČMSS [3] (consolidated via equity-method)		
Total outstanding amount	**24 590**			**2 495**		
Counterparty break down		% outst.			% outst.	
SME / corporate	8 456	34,4%		44	1,8%	
retail	16 134	65,6%		2 450	98,2%	
o/w private	11 646	47,4%		2 438	97,7%	
o/w companies	4 488	18,3%		12	0,5%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV
total	10 559	42,9%	66%	1.906	76,4%	64%
o/w FX mortgages	0	0,0%	-	0	0,0%	-
o/w ind. LTV > 100%	260	1,1%	-	124	5,0%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	17 295	70,3%		1 866	74,8%	
medium risk (PD 5-7; 0.80%-6.40%)	5 899	24,0%		392	15,7%	
high risk (PD 8-9; 6.40%-100.00%)	755	3,1%		157	6,3%	
impaired loans (PD 10 - 12)	611	2,5%		80	3,2%	
unrated	31	0,1%		0	0,0%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	611	334	54,7%	80	40	50,4%
o/w PD 10 impaired loans	208	56	26,9%	11	2	14,9%
o/w more than 90 days past due (PD 11+12)	403	278	69,0%	69	38	56,1%
all impairments (specific + portfolio based)	377			45		
o/w portfolio based impairments	43			5		
o/w specific impairments	334			40		
2016 Credit cost ratio (CCR)	0,11%			n/a		
YTD 2017 CCR	0,04%			0,14%		

[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
30-09-2017, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total outstanding amount	**12 598**			**7 183**			**4 803**			**3 395**			**27 995**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	1 375	10.9%		2 825	39.3%		2 790	58.1%		964	28.4%		7 970	28.5%	
retail	11 223	89.1%		4 359	60.7%		2 013	41.9%		2 431	71.6%		20 025	71.5%	
o/w private	11 213	89.0%		3 512	48.9%		1 843	38.4%		1 328	39.1%		17 897	63.9%	
o/w companies	10	0.1%		846	11.8%		169	3.5%		1 103	32.5%		2 128	7.6%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	11 176	88.7%	76%	3 044	42.4%	69%	1 681	35.0%	68%	673	19.8%	73%	16 575	59.2%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	10	0.2%	126%	135	4.0%	70%	145	0.5%	
o/w ind. LTV > 100%	2 124	16.9%	-	37	0.5%	-	270	5.6%	-	53	1.6%	-	2 485	8.9%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	737	5.8%		5 280	73.5%		2 292	47.7%		586	17.3%		8 903	31.8%	
medium risk (PD 5-7; 0.80%-6.40%)	5 736	45.5%		1 393	19.4%		1 871	39.0%		1 624	47.8%		10 632	38.0%	
high risk (PD 8-9; 6.40%-100.00%)	1 247	9.9%		274	3.8%		294	6.1%		168	5.0%		1 984	7.1%	
impaired loans (PD 10 - 12)	4 879	38.7%		203	2.8%		343	7.2%		848	25.0%		6 273	22.4%	
unrated	0	0.0%		33	0.5%		2	0.0%		169	5.0%		204	0.7%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	4 879	1 977	40.5%	203	133	65.2%	343	200	58.1%	848	542	63.9%	6 273	2 851	45.4%
o/w PD 10 impaired loans	2 575	670	26.0%	31	13	41.5%	62	19	30.9%	82	7	8.4%	2 750	709	25.8%
o/w more than 90 days past due (PD 11+12)	2 303	1 307	56.8%	172	119	69.6%	282	181	64.1%	766	535	69.8%	3 523	2 142	60.8%
all impairments (specific + portfolio based)	2 045			146			211			550			2 952		
o/w portfolio based impairments	68			14			11			8			101		
o/w specific impairments	1 977			133			200			542			2 851		
2016 Credit cost ratio (CCR)	-0.33%			0.24%			-0.33%			0.32%			-0.16%		
YTD 2017 CCR	-1.68%			0.17%			-0.27%			0.85%			-0.74%		

Remarks

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

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

[2] CCR at country level in local currency

Loan portfolio Group Centre
30-09-2017, in millions of EUR

	Total Group Centre [1]		
Total outstanding amount	**4 420**		
Counterparty break down		% outst.	
SME / corporate	4 420	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans [2]		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	0	0.0%	-
o/w ind. LTV > 100%	0	0.0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 659	60.1%	
medium risk (PD 5-7; 0.80%-6.40%)	1 214	27.5%	
high risk (PD 8-9; 6.40%-100.00%)	117	2.7%	
impaired loans (PD 10 - 12)	430	9.7%	
unrated	0	0.0%	
Overall risk indicators		spec. Imp.	% cover
outstanding impaired loans	430	263	61.1%
o/w PD 10 impaired loans	128	35	27.1%
o/w more than 90 days past due (PD 11+12)	303	228	75.4%
all impairments (specific + portfolio based)	289		
o/w portfolio based impairments	26		
o/w specific impairments	263		
2016 Credit cost ratio (CCR)	0.67%		
YTD 2017 CCR	0.40%		

Remarks

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

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

Solvency

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

Solvency KBC Group

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

In addition to the solvency ratios under CRD IV/CRR, KBC is considered a financial conglomerate since it covers both significant banking and insurance activities. Therefore KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC). KBC meets the FICOD requirement by aligning the building block method with method 1 (the accounting consolidation method) under FICOD. 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 (as of 2016) 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 81% of the weighted credit risks, of which approx. 75% according to Advanced and approx. 6% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 19%) are calculated according to the Standardised approach. 12% of the latter, under the Danish Compromise, are the 370% risk-weighted holdings of own funds instruments of the insurance company.

The 2017 minimum CET1 requirement that KBC is to uphold is set at 8.65% (phased-in, Danish Compromise) which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (1.25% Capital Conservation Buffer, 1.00% Systemic Buffer and 0.15% Countercycle Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%. For further information see press release of 14 December 2016 on www.kbc.com.

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

Overview of KBC Group's capital ratios - In millions of EUR - 30-09-2017

		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	14 662	91 098	16,10%
	Fully loaded	14 596	91 535	15,95%
Deduction Method	Fully loaded	13 587	86 050	15,79%
Financial Conglomerates Directive				
	Fully loaded	15 725	103 749	15,16%

In millions of EUR	30-09-2017 Fully loaded	30-09-2017 Phased-in	31-12-2016 Fully loaded	31-12-2016 Phased-in
Total regulatory capital (after profit appropriation)	18 253	18 312	17 571	17 887
Tier-1 capital	15 996	16 081	15 286	15 473
Common equity	14 596	14 662	13 886	14 033
Parent shareholders' equity (after deconsolidating KBC Insurance)	16 352	16 352	15 500	15 500
Intangible fixed assets (incl deferred tax impact) (-)	- 445	- 445	- 400	- 400
Goodwill on consolidation (incl deferred tax impact) (-)	- 600	- 600	- 483	- 483
AFS revaluation reserve bonds (-)		- 102		- 206
Hedging reserve (cash flow hedges) (-)	1 167	1 167	1 356	1 356
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 3	- 3	- 18	- 18
Value adjustment due to the requirements for prudent valuation (-)	- 117	- 105	- 140	- 109
Dividend payout (-)	- 632	- 632	- 753	- 753
Renumeration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 92	- 92	- 91	- 91
IRB provision shortfall (-)	- 224	- 224	- 203	- 203
Deferred tax assets on losses carried forward (-)	- 809	- 653	- 879	- 557
Additional going concern capital	1 400	1 419	1 400	1 440
Grandfathered innovative hybrid tier-1 instruments	0	19	0	40
CRR compliant AT1 instruments	1 400	1 400	1 400	1 400
Tier 2 capital	2 257	2 231	2 285	2 414
IRB provision excess (+)	358	358	367	362
Subordinated liabilities	1 900	1 873	1 918	2 053
Total weighted risk volume	91 535	91 098	87 782	86 878
Banking	82 261	81 823	78 482	77 579
Insurance	9 133	9 133	9 133	9 133
Holding activities	182	182	198	198
Elimination of intercompany transactions	- 41	- 41	- 32	- 32
Solvency ratios				
Common equity ratio	15,95%	16,10%	15,82%	16,15%
Tier-1 ratio	17,48%	17,65%	17,41%	17,81%
(*)Total capital ratio	19,94%	20,10%	20,02%	20,59%

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

FICOD In millions of EUR	30-09-2017 Fully loaded	30-09-2017 Phased-in	31-12-2016 Fully loaded	31-12-2016 Phased-in
Common Equity	15 725	15 792	14 647	14 794
Total weighted risk volume	103 749	103 312	101 039	100 136
Solvency ratio				
Common equity ratio	15,16%	15,29%	14,50%	14,77%

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	30-09-2017	31-12-2016
Tier-1 capital (Danish compromise)	15 996	15 286
Total exposures	277 675	251 891
Total Assets	296 885	275 200
Deconsolidation KBC Insurance	-32 562	-32 678
Adjustment for derivatives	-3 897	-5 784
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 287	-2 197
Adjustment for securities financing transaction exposures	2 617	1 094
Off-balance sheet exposures	16 920	16 256
Leverage ratio	5,76%	6,07%

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

Solvency banking and insurance activities separately

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

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

KBC Bank consolidated - CRDIV/CRR		30-09-2017		31-12-2016
In millions of EUR	Fully loaded	Phased in	Fully loaded	Phased in
Total regulatory capital, after profit appropriation	15 251	15 304	16 229	16 347
Tier-1 capital	12 924	13 003	12 625	12 803
Of which common equity	11 518	11 573	11 219	11 348
Tier-2 capital	2 327	2 301	3 604	3 544
Total weighted risks	82 261	81 823	78 482	77 579
Credit risk	68 750	68 313	65 933	65 030
Market risk	3 084	3 084	2 417	2 417
Operational risk	10 427	10 427	10 132	10 132
Solvency ratios				
Common equity ratio	14,0%	14,1%	14,3%	14,6%
Tier-1 ratio	15,7%	15,9%	16,1%	16,5%
(*) CAD ratio	18,5%	18,7%	20,7%	21,1%

(*) We intend to call the USD contingent convertible note (coco) in January 2018. Hence, the capital value of the coco has already been excluded from Tier-2.

Solvency II, KBC Insurance consolidated		
In millions of EUR	30-09-2017	31-12-2016
Own Funds	3 766	3 637
Tier 1	3 266	3 137
IFRS Parent shareholders equity	3 130	2 936
Dividend payout	- 343	- 103
Deduction intangible assets and goodwill (after tax)	- 125	- 123
Valuation differences (after tax)	513	349
Volatility adjustment	97	120
Other	- 6	- 42
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 708	1 791
Market risk	1 594	1 589
Non-life	528	531
Life	613	608
Health	196	181
Counterparty	107	87
Diversification	- 904	- 881
Other	- 427	- 323
Solvency II ratio	221%	203%

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

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

Income statement 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	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	589	611	625	651	680
Non-life insurance before reinsurance	153	131	143	122	118
Earned premiums Non-life	*263*	*258*	*256*	*257*	*256*
Technical charges Non-life	*- 111*	*- 127*	*- 113*	*- 135*	*- 138*
Life insurance before reinsurance	- 21	- 43	- 44	- 62	- 47
Earned premiums Life	*195*	*199*	*241*	*298*	*257*
Technical charges Life	*- 216*	*- 242*	*- 285*	*- 360*	*- 304*
Ceded reinsurance result	4	- 7	- 2	- 8	11
Dividend income	9	24	12	15	10
Net Result from FIFV through profit or loss	106	127	156	174	69
Net Realised result from Available for sale assets	34	32	23	6	12
Net Fee and Commission Income	301	331	346	279	272
Net other income	51	40	46	66	53
Total income	1 225	1 245	1 305	1 244	1 177
Operating expenses	- 520	- 544	- 822	- 556	- 529
Impairment	- 34	2	- 60	- 60	- 41
Impairment on Loans and receivables	*- 21*	*4*	*- 59*	*- 46*	*- 33*
Impairment on available-for-sale assets	*- 5*	*- 2*	*- 1*	*- 7*	*- 7*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*- 8*	*- 1*	*0*	*- 7*	*- 1*
Share in results of assoc. comp & joint-ventures	0	- 4	0	0	1
Result before tax	672	698	423	628	608
Income tax	- 217	- 215	- 121	- 189	- 193
Result after tax	455	484	301	439	414
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	455	483	301	439	414
Banking	*336*	*385*	*208*	*371*	*330*
Insurance	*119*	*98*	*93*	*68*	*84*
Risk-weighted assets, banking (end of period, Basel III fully loaded)	43 988	43 329	42 797	42 566	42 537
Required capital, insurance (Solv.II as of '16)	1 503	1 444	1 494	1 611	1 782
Allocated capital (end of period)	6 078	5 950	5 945	5 974	6 142
Return on allocated capital (ROAC)	30%	32%	20%	29%	28%
Cost/income ratio, banking	46%	45%	67%	45%	47%
Combined ratio, non-life insurance	78%	86%	77%	92%	86%
Net interest margin, banking	1,51%	1,61%	1,67%	1,72%	1,78%

Business unit Czech Republic - Breakdown P&L

in millions of EUR	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	218	220	216	215	213
Non-life insurance before reinsurance	25	22	18	24	17
Earned premiums Non-life	*56*	*53*	*49*	*50*	*49*
Technical charges Non-life	*- 31*	*- 31*	*- 30*	*- 27*	*- 32*
Life insurance before reinsurance	12	12	11	10	10
Earned premiums Life	*68*	*47*	*48*	*94*	*59*
Technical charges Life	*- 56*	*- 35*	*- 38*	*- 84*	*- 49*
Ceded reinsurance result	- 2	- 2	- 1	- 3	2
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	53	65	50	24	20
Net Realised result from Available for sale assets	- 1	6	11	0	0
Net Fee and Commission Income	43	47	47	50	46
Net other income	5	5	26	2	7
Total income	354	375	378	322	314
Operating expenses	- 153	- 151	- 165	- 152	- 144
Impairment	- 3	- 11	1	- 11	- 2
Impairment on Loans and receivables	*- 1*	*- 7*	*1*	*- 11*	*- 2*
Impairment on available-for-sale assets	*0*	*0*	*0*	*3*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*- 2*	*- 3*	*0*	*- 3*	*0*
Share in results of assoc. comp & joint-ventures	6	6	4	4	8
Result before tax	205	219	218	163	175
Income tax	- 34	- 37	- 37	- 33	- 30
Result after tax	170	183	181	131	145
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	170	183	181	131	145
Banking	*162*	*176*	*174*	*118*	*137*
Insurance	*9*	*7*	*7*	*13*	*8*
Risk-weighted assets, banking (end of period, Basel III fully loaded)	14 855	15 039	14 386	13 664	13 921
Required capital, insurance (Solv.II as of '16)	118	116	110	103	90
Allocated capital (end of period)	1 662	1 680	1 606	1 504	1 517
Return on allocated capital (ROAC)	42%	47%	48%	36%	41%
Cost/income ratio, banking	42%	39%	43%	47%	45%
Combined ratio, non-life insurance	95%	97%	100%	93%	96%
Net interest margin, banking	2,85%	3,01%	3,06%	2,96%	2,91%

Business unit International Markets - Breakdown P&L

in millions of EUR	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	226	194	189	198	184
Non-life insurance before reinsurance	8	23	25	24	24
Earned premiums Non-life	*56*	*57*	*53*	*52*	*50*
Technical charges Non-life	*- 48*	*- 34*	*- 28*	*- 28*	*- 27*
Life insurance before reinsurance	6	6	6	7	3
Earned premiums Life	*18*	*21*	*23*	*21*	*20*
Technical charges Life	*- 12*	*- 15*	*- 17*	*- 14*	*- 17*
Ceded reinsurance result	13	0	- 1	- 2	- 2
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	25	19	28	24	11
Net Realised result from Available for sale assets	1	0	2	2	0
Net Fee and Commission Income	65	54	48	50	52
Net other income	- 57	1	4	2	- 2
Total income	287	297	301	305	271
Operating expenses	- 206	- 183	- 212	- 189	- 180
Impairment	11	92	47	3	35
Impairment on Loans and receivables	*12*	*92*	*48*	*8*	*37*
Impairment on available-for-sale assets	*- 1*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*- 1*	*- 1*	*0*	*- 5*	*- 2*
Share in results of assoc. comp & joint-ventures	2	1	1	0	0
Result before tax	94	207	137	119	125
Income tax	- 15	- 30	- 22	20	- 19
Result after tax	78	177	114	139	106
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	78	177	114	139	106
Banking	*71*	*171*	*106*	*135*	*99*
Insurance	*7*	*6*	*9*	*5*	*7*
Risk-weighted assets, banking (end of period, Basel III fully loaded)	19 923	19 991	17 667	17 163	17 642
Required capital, insurance (Solv.II as of ’16)	97	94	93	95	91
Allocated capital (end of period)	2 169	2 173	1 931	1 854	1 899
Return on allocated capital (ROAC)	16%	36%	23%	28%	22%
Cost/income ratio, banking	72%	61%	72%	61%	67%
Combined ratio, non-life insurance	98%	93%	85%	98%	97%
Net interest margin, banking	2,83%	2,72%	2,67%	2,70%	2,52%

Hungary - Breakdown P&L

in millions of EUR	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	63	60	58	59	58
Non-life insurance before reinsurance	9	9	9	9	8
Earned premiums Non-life	*26*	*25*	*23*	*22*	*21*
Technical charges Non-life	*- 17*	*- 15*	*- 14*	*- 13*	*- 13*
Life insurance before reinsurance	2	2	2	3	- 1
Earned premiums Life	*4*	*4*	*4*	*4*	*4*
Technical charges Life	*- 2*	*- 2*	*- 2*	*- 1*	*- 5*
Ceded reinsurance result	0	- 1	0	- 1	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	14	14	19	15	18
Net Realised result from Available for sale assets	0	0	1	0	0
Net Fee and Commission Income	41	41	37	40	40
Net other income	1	- 1	1	2	1
Total income	129	124	127	127	122
Operating expenses	- 81	- 77	- 101	- 82	- 78
Impairment	- 1	8	1	0	10
Impairment on Loans and receivables	*0*	*9*	*1*	*1*	*11*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*0*	*- 1*	*- 1*
Share in results of assoc. comp & joint-ventures	0	0	0	0	0
Result before tax	47	55	26	45	55
Income tax	- 8	- 8	- 6	- 21	- 13
Result after tax	40	47	20	23	42
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	40	47	20	23	42
Banking	*37*	*46*	*17*	*21*	*40*
Insurance	*2*	*2*	*3*	*2*	*2*
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 671	5 379	5 551	5 199	5 562
Required capital, insurance (Solv.II as of '16)	36	34	34	33	29
Allocated capital (end of period)	626	593	611	566	599
Return on allocated capital (ROAC)	25%	30%	12%	15%	28%
Cost/income ratio, banking	63%	62%	81%	65%	63%
Combined ratio, non-life insurance	99%	92%	84%	99%	101%
Net interest margin, banking					

Slovakia - Breakdown P&L

in millions of EUR	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	52	53	53	56	53
Non-life insurance before reinsurance	6	6	6	5	5
Earned premiums Non-life	*9*	*9*	*8*	*9*	*8*
Technical charges Non-life	*- 3*	*- 3*	*- 2*	*- 3*	*- 3*
Life insurance before reinsurance	3	3	3	3	3
Earned premiums Life	*10*	*13*	*13*	*12*	*13*
Technical charges Life	*- 7*	*- 10*	*- 9*	*- 9*	*- 10*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	3	5	4	2	2
Net Realised result from Available for sale assets	0	0	0	1	0
Net Fee and Commission Income	12	13	12	11	12
Net other income	2	2	2	2	1
Total income	77	82	81	82	76
Operating expenses	- 48	- 49	- 50	- 55	- 48
Impairment	- 7	- 1	- 2	- 7	- 1
Impairment on Loans and receivables	*- 7*	*- 1*	*- 2*	*- 7*	*- 1*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*0*	*0*	*0*
Share in results of assoc. comp & joint-ventures	0	0	0	0	0
Result before tax	22	32	28	20	26
Income tax	- 5	- 7	- 6	- 4	- 6
Result after tax	16	25	22	16	20
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	16	25	22	16	20
Banking	*14*	*22*	*19*	*14*	*17*
Insurance	*3*	*3*	*3*	*2*	*3*
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 826	4 910	4 716	4 635	4 480
Required capital, insurance (Solv.II as of '16)	23	23	23	23	25
Allocated capital (end of period)	525	534	513	499	484
Return on allocated capital (ROAC)	13%	19%	17%	13%	17%
Cost/income ratio, banking	64%	60%	64%	66%	65%
Combined ratio, non-life insurance	85%	82%	73%	94%	87%
Net interest margin, banking					

Bulgaria - Breakdown P&L

in millions of EUR	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	40	12	12	13	12
Non-life insurance before reinsurance	- 7	8	10	10	10
Earned premiums Non-life	*21*	*24*	*21*	*22*	*21*
Technical charges Non-life	*- 28*	*- 16*	*- 12*	*- 12*	*- 11*
Life insurance before reinsurance	1	1	1	1	1
Earned premiums Life	*4*	*4*	*6*	*5*	*3*
Technical charges Life	*- 2*	*- 3*	*- 5*	*- 4*	*- 2*
Ceded reinsurance result	14	0	- 1	- 1	- 1
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	7	1	1	1	0
Net Realised result from Available for sale assets	1	0	1	0	0
Net Fee and Commission Income	11	- 1	- 1	- 1	- 1
Net other income	- 4	1	0	- 1	0
Total income	64	22	22	21	23
Operating expenses	- 33	- 13	- 16	- 15	- 13
Impairment	- 7	- 3	- 1	- 2	- 1
Impairment on Loans and receivables	*- 7*	*- 3*	*- 1*	*1*	*- 1*
Impairment on available-for-sale assets	*- 1*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*0*	*- 3*	*0*
Share in results of assoc. comp & joint-ventures	1	0	0	0	0
Result before tax	25	6	5	4	9
Income tax	- 3	0	- 1	1	- 1
Result after tax	22	5	4	5	8
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	22	5	4	5	8
Banking	*21*	*4*	*3*	*4*	*5*
Insurance	*1*	*1*	*1*	*1*	*2*
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 886	3 037	842	839	799
Required capital, insurance (Solv.II as of '16)	38	37	37	39	37
Allocated capital (end of period)	338	353	125	125	119
Return on allocated capital (ROAC)	49%	16%	13%	16%	22%
Cost/income ratio, banking	49%	56%	72%	66%	53%
Combined ratio, non-life insurance	102%	98%	96%	98%	97%
Net interest margin, banking					

Ireland - Breakdown P&L

in millions of EUR	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	70	69	66	69	61
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 FIFV through profit or loss	0	0	5	7	- 9
Net Realised result from Available for sale assets	0	0	0	0	0
Net Fee and Commission Income	0	0	0	- 1	0
Net other income	- 55	0	0	- 1	- 4
Total income	16	69	71	75	49
Operating expenses	- 43	- 42	- 44	- 36	- 40
Impairment	26	87	50	12	27
Impairment on Loans and receivables	*26*	*87*	*50*	*12*	*28*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*0*	*0*	*- 1*
Share in results of assoc. comp & joint-ventures	0	0	0	0	0
Result before tax	- 1	113	76	51	35
Income tax	0	- 14	- 10	44	1
Result after tax	- 1	99	67	95	37
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	- 1	99	67	95	37
Banking	*- 1*	*99*	*67*	*95*	*37*
Insurance	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 525	6 652	6 544	6 477	6 787
Required capital, insurance (Solv.II as of '16)	-	-	-	-	-
Allocated capital (end of period)	679	692	681	664	696
Return on allocated capital (ROAC)	-1%	57%	38%	52%	20%
Cost/income ratio, banking	271%	62%	63%	49%	83%
Combined ratio, non-life insurance	-	-	-	-	-
Net interest margin, banking					

Group Centre - Breakdown net result

in millions of EUR	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Operating expenses of group activities	-20	-14	-14	-39	-21
Capital and treasury management-related costs	5	17	-18	4	-4
Costs related to the holding of participations	-13	-13	-9	-14	-13
Results of remaining companies earmarked for divestment or in run-down	19	11	83	14	17
Other items	-3	10	-9	11	-14
Total net result for the Group Centre	**-12**	**12**	**33**	**-24**	**-36**

Group Centre - Breakdown P&L

	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Net Interest Income	7	2	-5	-7	-13
Non-life insurance before reinsurance	3	3	1	8	5
Earned premiums Non-life	2	2	2	3	2
Technical charges Non-life	0	1	-1	5	3
Life insurance before reinsurance	0	1	-1	0	0
Earned premiums Life	0	0	0	0	0
Technical charges Life	0	1	-1	0	0
Ceded reinsurance result	1	0	1	-2	-12
Dividend income	1	6	2	3	2
Net Result from FIFV through profit or loss	-2	37	-44	2	-31
Net Realised result from Available for sale assets	16	14	9	0	13
Net Fee and Commission Income	-1	-1	-3	-2	-2
Net other income	5	2	1	30	2
Total income	30	63	-38	32	-35
Operating expenses	-35	-33	-29	-67	-41
Impairment	-6	-11	4	-5	-20
Impairment on Loans and receivables	-6	-11	4	-5	-20
Impairment on available-for-sale assets	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on Other	0	0	0	0	0
Share in results of assoc. comp & joint-ventures	0	0	0	1	1
Result before tax	-11	18	-63	-39	-95
Income tax	-1	-7	96	15	59
Result after tax	-12	12	33	-24	-36
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	-12	12	33	-24	-36
Banking	6	17	38	-11	-14
Insurance	2	1	2	11	-4
Group	-20	-7	-7	-24	-17
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	3 636	4 058	4 407	4 186	4 921
Risk-weighted assets, insurance (end of period, Basel II Danish compromise)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period, Solv.II as of '16)	10	10	3	- 18	- 18
Allocated capital (end of period)	369	432	461	428	487

Details of ratios and terms

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 2017	2016	9M 2016
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 176	2 427	1 742
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 39	- 52	- 39
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	418,4	418,1	418,1
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		418,4	418,1	418,1
Basic = (A-B) / (C) (in EUR)		5,11	5,68	4,07
Diluted = (A-B) / (D) (in EUR)		5,11	5,68	4,07

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 2017	2016	9M 2016
Net technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	568	839	636
/				
Net earned insurance premiums (B)	Note 3.7.1	1 089	1 387	1 031
+				
Operating expenses (C)	Note 3.7.1	362	459	347
/				
Net written insurance premiums (D)	Note 3.7.1	1 156	1 406	1 091
= (A/B)+(C/D)		83,4%	93,2%	93,5%

Common equity ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2017	2016	9M 2016
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'				
Phased-in*		16,1%	16,2%	15,1%
Fully loaded*		15,9%	15,8%	15,3%

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

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2017	2016	9M 2016
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	2 684	3 437	2 624
/				
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	4 952	6 238	4 587
=(A) / (B)		54,2%	55,1%	57,2%

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 53,5% in 9M 2017 (versus 56,7% in 9M 2016).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2017	2016	9M 2016
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 777	4 874	5 030
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	10 060	10 583	11 023
= (A) / (B)		47,5%	46,1%	45,6%

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 2017	2016	9M 2016
Net changes in impairment for credit risks (A) (annualised)	'Consolidated income statement': component of 'Impairment'	- 54	126	72
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	151 271	146 257	145 359
= (A) (annualised) / (B)		-0,05%	0,09%	0,07%

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 2017	2016	9M 2016
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	10 060	10 583	11 023
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	153 339	147 526	145 692
= (A) / (B)		6,6%	7,2%	7,6%

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

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2017	2016	9M 2016
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section	15 996	15 286	14 993
/				
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)	277 675	251 891	243 615
= (A) / (B)		5,8%	6,1%	6,2%

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 2017	2016	9M 2016
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	76 250	65 400	59 100
/				
Total net cash outflows over the next 30 calendar days (B)		50 800	47 100	43 250
= (A) / (B)		150,1%	138,8%	136,5%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	9M 2017	2016	9M 2016
Loans and advances to customers (related to the group's banking activities) (A)	Note 4.1, component of 'Loans and advances to customers'	138 098	131 415	130 290
-				
Reverse repos with customers (B)	Note 4.1	- 928	- 376	- 563
+				
Debt instruments issued by corporates and by credit institutions and investment firms (related to the group's banking activities) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	7 257	7 114	7 120
+				
Loans and advances to credit institutions and investment firms (related to the group's banking activities, excluding dealing room activities) (D)	Note 4.1, component of 'Loans and advances to credit institutions and investment firms '	982	952	972
+				
Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees given'	7 972	8 279	7 417
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	4 819	5 094	5 237
+				
Other (including accrued interest) (G)	Component of Note 4.1	- 4 862	- 4 952	- 4 780
= (A)-(B)+(C)+(D)+(E)+(F)+(G)		153 339	147 526	145 692

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 2017	2016	9M 2016
Own funds* and eligible liabilities (issued from KBC Group NV) (A) => based on the strategy of KBC to issue MREL eligible instruments from the Holding company	Based on BRRD	21 677	18 467	17 424
/				
Risk weighted assets (consolidated, Danish compromise method) (B)	'Consolidated balance sheet'	91 535	87 782	88 967
= (A) / (B)		23,7%	21,0%	19,6%

* after deconsolidation of KBC Insurance

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	9M 2017	2016	9M 2016
Net interest income of the banking activities (A) (annualised)	'Consolidated income statement': component of 'Net interest income'	2 629	3 602	2 702
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	186 736	184 117	183 823
= (A) (annualised x360/number of calendar days) / (B)		1,86%	1,92%	1,94%

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 2017	2016	9M 2016
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	155 250	144 150	141 000
/				
Required amount of stable funding (B)		119 550	114 950	114 850
= (A) / (B)		129,9%	125,4%	122,8%

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 2017	2016	9M 2016
Parent shareholders' equity (A)	'Consolidated balance sheet'	17 003	15 957	15 135
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	418,3	418,4	418,1
= (A) / (B) (in EUR)		40,6	38,1	36,2

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 2017	2016	9M 2016
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	1 240	1 433	993
/				
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 I for '15 & II for '16) (B)		6 039	6 092	5 943
= (A) annualised / (B)		27,4%	23,5%	22,3%
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	534	596	465
/				
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 I for '15 & II for '16) (B)		1 591	1 455	1 427
= (A) annualised / (B)		44,4%	40,9%	43,4%
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	370	428	289
/				
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 I for '15 & II for '16) (B)		2 011	1 959	1 946
= (A) annualised / (B)		24,5%	21,9%	19,8%

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 2017	2016	9M 2016
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	2 176	2 427	1 742
-				
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	'Consolidated statement of changes in equity'	- 39	- 52	- 39
/				
Average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets (C)	'Consolidated statement of changes in equity'	14.795	13.415	12.859
= (A-B) (annualised) / (C)		19,3%	17,7%	17,7%

Solvency ratio (insurance)

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

Calculation	Reference	9M 2017	2016	9M 2016
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section		221%	203%	170%

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 2017	2016	9M 2016
Belgium Business Unit (A)	Company presentation on www.kbc.com	202,2	198,9	194,5
+				
Czech Republic Business Unit (B)		9,3	8,5	9,0
+				
International Markets Business Unit (C)		5,9	5,7	6,0
A)+(B)+(C)		217,4	213,1	209,5

Total capital ratio

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

Calculation	9M 2017	2016	9M 2016
Detailed calculation in the table 'Danish Compromise' under 'Solvency KBC Group' section			
Phased-in*	20,1%	20,6%	19,5%
Fully loaded*	19,9%	20,0%	19,4%

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