KBC GROUP
QUARTERLY REPORT 4Q2020

Report for 4Q2020

Consolidated financial statements

Additional information

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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This report contains information that is subject to transparency regulations for listed companies.
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KBC GROUP
Report for 4Q2020

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.'

Fourth-quarter result of 538 million euros

KBC Group – overview (consolidated, IFRS)	4Q2020	3Q2020	4Q2019	FY2020	FY2019
Net result (in millions of EUR)	538	697	702	1 440	2 489
Basic earnings per share (in EUR)	1.26	1.64	1.66	3.34	5.85
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*396*	*486*	*412*	*1 001*	*1 344*
Czech Republic	*94*	*116*	*205*	*375*	*789*
International Markets	*86*	*123*	*119*	*199*	*379*
Group Centre	*-38*	*-28*	*-33*	*-135*	*-23*
Parent shareholders' equity per share (in EUR, end of period)	48.1	46.2	45.0	48.1	45.0

In 2020, we were confronted with the outbreak and challenges of the pandemic, a situation causing human suffering all over the world and unprecedented economic upheaval. Recently, some countries have started rolling out vaccination programmes, which could bring some degree of relief going forward. We have taken responsibility in safeguarding the health of our staff and customers, while ensuring that services continue to be provided. We have worked closely with government agencies to support all customers impacted by coronavirus, by efficiently implementing various relief measures, including loan deferrals. In our six home countries combined, we had granted a total of 13.4 billion euros in loan payment deferrals by the end of December 2020 (according to the EBA definition), as well as 0.8 billion euros' worth of loans under public guarantee schemes introduced in response to the pandemic. As a result of the lockdowns, which led to a far-reaching digital boost, our digital sales increased significantly. In that respect, the significant investments we made in digital transformation over the past few years are clearly paying off. With our renewed strategy 'Differently, the next level' – in which Kate, our new personal AI-enabled digital assistant, plays an important role – we are now going one step further by making our customer interactions even more proactive and future-proof, through the use of data and artificial intelligence. We plan to invest an additional 1.4 billion euros in digitalisation in the period 2021-2023.

As regards our financial results, we generated a net profit of 538 million euros in the last quarter of 2020. In the quarter under review, our net interest income decreased, whereas our trading and fair value result fared well. In the current lower-for-longer interest rate environment, this quarterly result has also been clearly benefiting from the diversification achieved through KBC's integrated bank-insurance model. This was reflected in higher net fee and commission income and a good non-life result *(good premium growth and an excellent combined ratio of 85% for the full year). Costs were tightly managed. On a full-year basis, operating expenses excluding bank taxes fell by 4.2% compared to last year, due chiefly to the announced cost savings triggered by the pandemic. Adding the result for this quarter to the one for the first nine months of the year brings our net profit for full-year 2020 to 1 440 million euros.*

Our solvency position remained very strong with a common equity ratio of 17.6%. In line with the ECB recommendation of 15 December 2020 which limits dividend payments, we will propose to the General Meeting of Shareholders in May of this year a (gross) dividend of 0.44 euros per share for the accounting year 2020, payable in May 2021. Additionally, it is the intention of the Board of Directors to distribute an extra gross dividend of 2 euros per share over the accounting year 2020 in the fourth quarter of 2021. For the latter, the final decision of the Board of Directors is subject to restrictions on dividends being lifted by the ECB.

On top of that, our dividend policy as of 2021 entails a payout ratio of at least 50% of the consolidated profit of the accounting year, of which an interim dividend of 1 euro per share, payable in November. On top of the payout ratio of at least 50% of consolidated profit, all capital which exceeds the reference capital position (a pre-Basel IV fully loaded common equity ratio of 14.5%) plus the 1% management buffer will be considered for distribution to the shareholders. Each year, the Board of Directors will take this decision at its discretion when announcing the full-year results.

Lastly, we have also updated our long-term financial guidance. Between 2020 and 2023, we are aiming to achieve a compound annual growth rate of approximately 2% for total income and approximately 1% for operating expenses (excluding bank taxes). Besides that, we also want to achieve a combined ratio below or equal to 92% by 2023.

In closing, I would like to take this opportunity to explicitly thank all stakeholders who have continued to put their trust in us. I also wish to express my utmost appreciation to all our staff, who have continued to serve our customers and support the sound functioning of the group from their homes and other remote locations.

Johan Thijs, Chief Executive Officer

The cornerstones of our strategy

Our strategy rests on five principles:

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

Financial highlights in the fourth quarter of 2020

- Commercial bank-insurance franchises in our core markets performed well.

- Net interest income decreased by 5% quarter-on-quarter and by 10% year-on-year. The quarter-on-quarter decline was due mainly to the negative impact of lower reinvestment yields and a lower positive one-off item related to inflation-linked bonds (insurance). These items more than offset the positive impact of higher margins on the new production of mortgage loans, which exceeded the margins on the outstanding portfolios in Belgium, the Czech Republic and Slovakia. Year-on-year, the decrease was mainly related to the negative impact of past CNB rate cuts in the Czech Republic, the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro and the negative effect of lower reinvestment yields, all of which was only partly offset by the positive impact of TLTRO III and ECB deposit tiering, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs and a larger loan and government bond portfolio.

- Loan volumes stabilised quarter-on-quarter and were up 3% year-on-year, with year-on-year growth recorded in all business units. The volume of granted loans with payment holidays in the various relief schemes amounted to 13.4 billion euros by the end of December 2020 (EBA definition), with schemes covering 8.7 billion euros of that figure expiring by the end of 2020.
  Deposits excluding debt certificates grew by 2% quarter-on-quarter and 11% year-on-year, with year-on-year growth in all business units. The figures have been calculated on a 'comparable scope' basis.

- Technical income from our non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was down 10% on its level in the previous quarter, primarily because of higher technical charges (claims gradually returning to more normal levels and the impact of major claims and storm claims in the fourth quarter). It was down 7% year-on-year, due to higher premium income being more than offset by higher technical charges. Overall, the combined ratio for full-year 2020 amounted to an excellent 85%. Sales of our life insurance products were up 39% on the level recorded in the previous quarter and up 23% on their level in the year-earlier quarter.

- Net fee and commission income was higher (3%) than the level recorded in the previous quarter but down 10% year-on-year. Quarter-on-quarter, the positive effect of higher asset management fees and banking service fees was partly offset by the higher level of distribution fees paid. Year-on-year, asset management fees and banking service fees were both down, while distribution fees were stable.

- The trading and fair value result amounted to 80 million euros, down 6% on the level recorded in the previous quarter, and down 39% year-on-year. On the whole, the huge drop in the trading and fair value result in the first quarter of the year has been more than offset by the positive trading and fair value result recorded in the three subsequent quarters.

- All other income items combined were 6% and 27% lower than the figures recorded in the previous and year-earlier quarters, respectively, primarily because the quarter under review included a negative one-off item related to a legacy legal file in the Czech Republic and an additional effect relating to tracker mortgage review in Ireland.

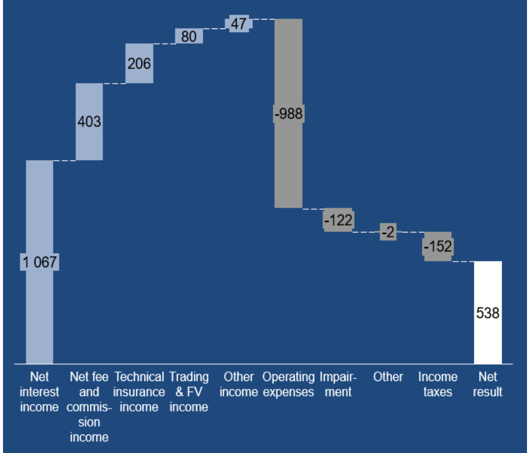
- As a result of cost-saving measures, costs (excluding bank taxes), were down 6% compared to the year-earlier quarter. Compared to the previous quarter, however, costs were up 4%. The resulting cost/income ratio amounted to 59% for full-year 2020, compared to 58% for full-year 2019 (when certain non-operating items are excluded).

- Loan loss impairment charges amounted to 57 million euros in the quarter under review compared to 52 million euros in the previous quarter and 75 million euros in the year-earlier quarter. In the fourth quarter, the collective impairment charges for the coronavirus crisis were adjusted slightly (reduced by 1 million euros, following updated macroeconomic forecasts and management overlay). This brought these collective impairment charges for the full-year to 783 million euros. As a consequence, the credit cost ratio for full-year 2020 amounted to 0.60%, up from 0.12% for full-year 2019. Impairment on assets other than loans included a one-off software impairment of 59 million euros in the quarter under review.

- Our liquidity position remained strong with an LCR of 147% and NSFR of 146%. Our capital base remained equally as robust, with a fully loaded common equity ratio of 17.6% (i.e. after deduction of the proposed dividend of 0.44 euros per share).

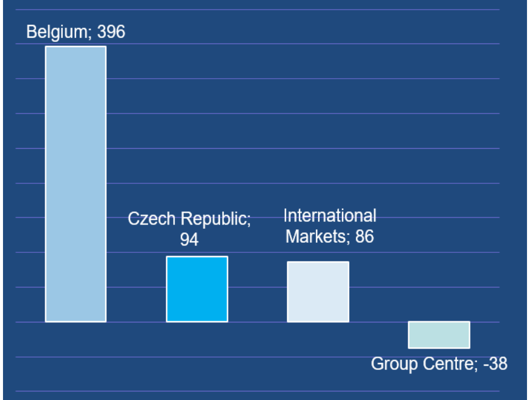
Breakdown of 4Q2020 result

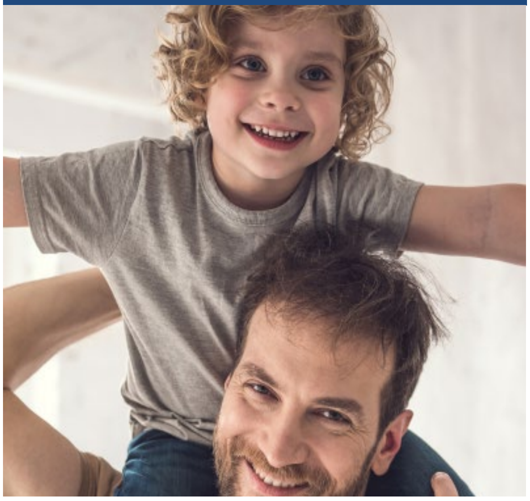
(in millions of EUR)



Contribution of the business units to 4Q2020 group result

(in millions of EUR)





Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	4Q2020	3Q2020	2Q2020	1Q2020	4Q2019	FY2020	FY2019
Net interest income	1 067	1 122	1 083	1 195	1 182	4 467	4 618
Non-life insurance (before reinsurance)	192	233	255	185	229	865	756
Earned premiums	*450*	*448*	*435*	*443*	*441*	*1 777*	*1 721*
Technical charges	*-258*	*-215*	*-180*	*-258*	*-212*	*-912*	*-966*
Life insurance (before reinsurance)	4	1	6	0	2	10	-6
Earned premiums	*382*	*267*	*276*	*297*	*364*	*1 223*	*1 323*
Technical charges	*-378*	*-266*	*-271*	*-297*	*-363*	*-1 213*	*-1 329*
Ceded reinsurance result	10	-9	-13	-7	-11	-20	-25
Dividend income	11	12	17	12	17	53	82
Net result from financial instruments at fair value through P&L[1]	80	85	253	-385	130	33	181
Net realised result from debt instruments at fair value through other comprehensive income	-1	1	2	0	0	2	6
Net fee and commission income	403	390	388	429	445	1 609	1 734
Net other income	37	37	53	50	47	176	282
Total income	1 802	1 872	2 043	1 479	2 041	7 195	7 629
Operating expenses	-988	-926	-904	-1 338	-1 045	-4 156	-4 303
Impairment	-122	-63	-857	-141	-82	-1 182	-217
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-57*	*-52*	*-845*	*-121*	*-75*	*-1 074*	*-203*
Share in results of associated companies & joint ventures	-2	-2	-3	-3	-1	-11	7
Result before tax	690	881	279	-3	912	1 847	3 116
Income tax expense	-152	-184	-69	-2	-210	-407	-627
Result after tax	538	697	210	-5	702	1 440	2 489
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**538**	**697**	**210**	**-5**	**702**	**1 440**	**2 489**
Basic earnings per share (EUR)	1.26	1.64	0.47	-0.04	1.66	3.34	5.85
Diluted earnings per share (EUR)	1.26	1.64	0.47	-0.04	1.66	3.34	5.85

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-12-2020	30-09-2020	30-06-2020	31-03-2020	31-12-2019
Total assets[3]	320 743	321 053	317 246	301 311	290 591
Loans and advances to customers, excl. reverse repos	159 621	157 773	157 563	158 364	155 816
Securities (equity and debt instruments)	71 784	71 310	72 131	67 176	65 633
Deposits from customers & debt certificates, excl. repos	215 430	211 672	210 811	208 293	203 369
Technical provisions, before reinsurance	18 718	18 613	18 775	18 816	18 560
Liabilities under investment contracts, insurance	12 724	12 482	12 505	11 979	13 610
Parent shareholders' equity[3]	20 030	19 244	18 570	18 080	18 722

Selected ratios KBC group (consolidated)	FY2020	FY2019
Return on equity	8%	14%
Cost/income ratio, banking (when excluding certain non-operating item)	60% (59%)	58% (58%)
Combined ratio, non-life insurance	85%	90%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	17.6% [18.1%]	17.1%
Common equity ratio, FICOD fully loaded [transitional]	16.4% [16.9%]	15.8%
Leverage ratio, Basel III fully loaded	6.4%	6.8%
Credit cost ratio	0.60%	0.12%
Impaired loans ratio	3.3%	3.5%
for loans more than 90 days past due	1.8%	1.9%
Net stable funding ratio (NSFR)	146%	136%
Liquidity coverage ratio (LCR)	147%	138%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 Note that, as of 2019, total assets and parent shareholders' equity have been restated to take account of the change in software capitalisation policy (see Note 1.1: 'Statement of compliance' of the quarterly report).

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

Analysis of the quarter (4Q2020)

Total income 1 802 million euros	- Total income down 4% quarter-on-quarter. - Net interest income, technical insurance income, trading and fair value income down. - Net fee and commission income up.

Net interest income amounted to 1 067 million euros in the quarter under review, down 5% on the figure recorded in the previous quarter and down 10% year-on-year. The quarter-on-quarter decline was due mainly to the negative impact of lower reinvestment yields and a lower positive one-off item related to inflation-linked bonds (insurance). These items more than offset the positive impact of higher margins on the new production of mortgage loans, which exceeded the margins on the outstanding portfolios in Belgium, the Czech Republic and Slovakia. Year-on-year, the decrease was mainly related to the negative impact of past CNB rate cuts in the Czech Republic, the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro and the negative effect of lower reinvestment yields, all of which was only partly offset by the positive impact of TLTRO III and ECB deposit tiering, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs and a larger loan and government bond portfolio.

The total volume of customer lending (160 billion euros) rose slightly (0.5%) quarter-on-quarter and was up 3% year-on-year, with year-on-year growth recorded in all business units. On a comparable scope basis (eliminating the effects of changes in scope, including the full consolidation of OTP Slovakia in December 2020), the total volume of customer lending remained fairly stable quarter-on-quarter. The volume of granted loans with payment holidays in the various relief schemes amounted to 13.4 billion euros by the end of December 2020 according to the EBA definition (broken down evenly among home loans, SME loans and loans to corporations). The moratoria had already expired for approximately 8.7 billion euros of that figure by the end of December 2020 (with payments resuming for 96% of that figure). In addition, we granted some 0.8 billion euros in loans that fall under the various coronavirus-related government guarantee schemes in our home markets.
Customer deposits including debt certificates (215 billion euros) were up 1% quarter-on-quarter and 7% year-on-year, with year-on-year growth in all business units. On a comparable scope basis, the year-on-year growth was 6%. Excluding debt certificates, deposits were up by no less than 11% year-on-year. All growth figures stated disregard forex movements.
The net interest margin for the quarter under review amounted to 1.75%, down 6 and 19 basis points, respectively, on the figures recorded in the previous and year-earlier quarters.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 203 million euros to total income, down 10% on the performance in the previous quarter and down 7% on the corresponding year-earlier quarter. Notwithstanding higher earned premium income and a higher ceded reinsurance result, both the quarter-on-quarter and year-on-year decrease in non-life technical income was driven entirely by higher technical charges (claims gradually returning to more normal levels following the exceptionally low level in the second quarter as a consequence of the full lockdown, the impact of major claims, storm claims and an increase of the ageing reserves (of 21 million euros) in the fourth quarter). Overall, the combined ratio for full-year 2020 came to an excellent 85%, compared to 90% for full-year 2019.

Technical income from our **life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 3 million euros, compared to 0 million euros in the previous quarter and 1 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (582 million euros) were up 39% on the level recorded in the previous quarter, due to higher sales of guaranteed-interest life products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in the fourth quarter of 2020) and higher sales of unit-linked products in Belgium and the Czech Republic. Sales were up 23% on the level recorded in the year-earlier quarter, driven mainly by higher sales of unit-linked products in Belgium (due to commercial campaigns aimed at Retail/SME customers). Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 56% in the quarter under review, with unit-linked products accounting for the remaining 44%.

In the quarter under review, **net fee and commission income** amounted to 403 million euros, up 3% on the level in the previous quarter. Quarter-on-quarter, net fee and commission income benefited from an increase in fees for our asset management business (higher management fees, partly offset by lower entry fees) and in fees for banking services (mainly securities-related fees and fees from credit files and bank guarantees), while distribution fees rose because of higher commissions paid on banking products and increased sales of life insurance products. Compared to the year-earlier quarter, net fee and commission income was down 10%, due to a combination of lower asset management related fees, lower fees for banking services (especially for payment services), stable distribution fees paid and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro. At the end of December 2020, our total assets under management amounted to 212 billion euros, up 4% quarter-on-quarter and down 2% year-on-year. The quarter-on-quarter increase was due entirely to a further recovery in asset prices (+4%). The year-on-year decrease resulted mainly from limited net outflows in the 'investment advice' segment.

The **net result from financial instruments at fair value** (trading and fair value income) amounted to 80 million euros, down slightly by 5 million euros on the level recorded in the previous quarter (due mainly to a decline in the value of derivatives used for asset/liability management purposes, lower market value adjustments, partly offset by a higher result in the insurance share portfolio and higher dealing room and other income) and down 50 million euros year-on-year (due mainly to a decline in the value of derivatives used for asset/liability management purposes).

The **other remaining income items** included dividend income of 11 million euros, down slightly on the figure recorded in the previous quarter, and also down on the year-earlier figure. The remaining income lines also included 37 million euros in net other income, somewhat below the normal run rate for this item as it included a negative one-off item of 6 million euros for a legacy legal file in the Czech Republic and a negative 3 million euros for the tracker mortgage review in Ireland.

Operating expenses

988 million euros

- Tight cost management. Operating expenses excluding bank taxes up 4% quarter-on-quarter, but down 6% year-on-year.
- Cost/income ratio for full-year 2020 at 59% (when certain non-operating items are excluded).

Operating expenses in the fourth quarter of 2020 amounted to 988 million euros. Excluding bank taxes, this constitutes an increase of 4% on the level recorded in the previous quarter. This was due to a number of factors, including higher staff expenses (due largely to the higher accrual of variable compensation and wage inflation in most countries), higher ICT & marketing costs and higher professional fees. These items were partly offset by a positive one-off impact of 10 million euros resulting from the updated software capitalisation policy and lower facilities expenses.

Year-on-year, expenses excluding bank taxes were down 6%, due chiefly to the announced cost savings triggered by the impact of the coronavirus crisis (lower facilities, marketing and professional fees), a positive one-off impact of 10 million euros resulting from the updated software capitalisation policy and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro. These items more than offset the negative impact of higher ICT costs.

The cost/income ratio of our banking activities came to 60% for full-year 2020. Excluding certain non-operating items, the ratio amounted to 59%, more or less in line with the 58% recorded for full-year 2019.

KBC's Board of Directors approved a change in accounting policy where software assets developed in-house that are below a certain materiality threshold will no longer be capitalised (see more detailed information in Note 1.1 of the quarterly report). The impact for 2020 was fully incorporated into the operating expenses for the fourth quarter and resulted in a positive one-off impact of 10 million euros before tax.

Loan loss impairment

57-million-euro charge

- Net loan loss impairment charges slightly up on their level in the previous quarter.
- Credit cost ratio for full-year 2020 at 0.60%.

In the fourth quarter of 2020, we recorded a 57-million-euro net loan loss impairment charge, compared with a net charge of 52 million euros in the previous quarter and 75 million euros in the fourth quarter of 2019. Most of the net impairment charge in the quarter under review related to a number of corporate loans in Belgium and the Czech Republic. In the fourth quarter, the collective impairment charges for the coronavirus crisis were adjusted slightly (reduced by 1 million euros, following updated macroeconomic forecasts and management overlay). This brought these collective impairment charges for the full-year to 783 million euros. Of this amount, 672 million euros was based on a 'management overlay' and 111 million euros captured by the ECL models through updated macroeconomic variables. A detailed calculation and background information regarding collective impairment charges for the coronavirus crisis is provided in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report.

Broken down by country, loan loss impairment charges in the fourth quarter of 2020 came to 39 million euros in Belgium, 17 million euros in the Czech Republic and 8 million euros in Hungary, while there were small net reversals of impairment of 5 million euros in Ireland and 1 million euros in Slovakia, Bulgaria and the Group Centre.

For the entire group, the credit cost ratio amounted to 0.60% for full-year 2020 (0.16% excluding the amount recorded for the coronavirus crisis), up from 0.12% for full-year 2019. The impaired loans ratio was down on its level at the start of the year: at the end of December 2020, some 3.3% of our total loan book was classified as impaired (Stage 3), compared to 3.5% at year-end 2019. Impaired loans that are more than 90 days past due amounted to 1.8% of the loan book, compared to 1.9% at year-end 2019.

For an indication of the expected impact of loan loss impairment for full-year 2021, see 'Guidance' on page 11 of this publication.

Impairment on assets *other than loans* amounted to 66 million euros, compared to 11 million euros in the previous quarter and 7 million euros in the fourth quarter of 2019. The figure for the quarter under review included a one-off software impairment of 59 million euros, as a result of specific impairment triggers related to a few distinct software projects.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
396 million euros	94 million euros	86 million euros	-38 million euros

Belgium: the net result (396 million euros) fell by 90 million euros quarter-on-quarter. The fourth quarter result included lower net interest income, higher net fee and commission income, lower trading and fair value income, higher net other income, lower technical insurance results, higher operating expenses and higher impairment on assets other than loans (mainly driven by a one-off software impairment).

Czech Republic: the net result (94 million euros) was down 19% on its level for the previous quarter. The fourth quarter result included lower net interest income, lower net fee and commission income, lower net other income (related to a negative one-off item of 6 million euros for a legacy legal file), higher operating expenses and higher impairment charges (mainly driven by a one-off software impairment). This more than offset the quarter-on-quarter increase in trading and fair value income.

International Markets: the 86-million-euro net result breaks down as follows: 25 million euros in Slovakia, 38 million euros in Hungary, 25 million euros in Bulgaria and -3 million euros in Ireland. For the business unit as a whole, the net result was down 37 million euros quarter-on-quarter. This decrease came about mainly on account of higher bank taxes (mainly in Ireland) and higher impairment charges. This more than offset the quarter-on-quarter increase in net interest income, net fee and commission income and net other income.

Group Centre: the net result (-38 million euros) was 10 million euros lower than the figure recorded in the previous quarter, with the increase in impairment (on software), higher operating expenses and lower technical insurance result being partly offset by higher trading and fair value income.

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**FY2020**	**FY2019**	**FY2020**	**FY2019**	**FY2020**	**FY2019**
Cost/income ratio, banking (excluding certain non-operating items)	57%	60%	53%	47%	65%	68%
Combined ratio, non-life insurance	84%	89%	87%	94%	84%	88%
Credit cost ratio*	0.57%	0.22%	0.67%	0.04%	0.78%	-0.07%
Impaired loans ratio	2.3%	2.4%	2.3%	2.3%	6.9%	8.5%

* A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.

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

Equity, solvency and liquidity

Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
21.5 billion euros	17.6%	147%	146%

At the end of December 2020, total equity amounted to 21.5 billion euros, comprising 20.0 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 6% on its level at the end of 2019[1]. This came about due to the combined effect of a number of items, including the profit for the year (+1.4 billion euros), an increase in the revaluation reserve for bonds (+0.1 billion euros), negative translation differences (-0.2 billion euros, due to the depreciation of the Czech koruna and Hungarian forint in the period under review) and a number of minor items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

At 31 December 2020, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 17.6%. In line with the ECB recommendation of 15 December 2020 which limits dividend payments, we will propose to the General Meeting of Shareholders in May of this year a (gross) dividend of 0.44 euros per share for the accounting year 2020, payable in May 2021. Additionally, it is the intention of the Board of Directors to distribute an extra gross dividend of 2 euros per share[2] over the accounting year 2020 in the fourth quarter of 2021. For the latter, the final decision of the Board of Directors is subject to restrictions on dividends being lifted by the ECB.

For an indication of the dividend policy and capital deployment plan as of 2021, see 'Guidance' on page 11 of this publication.

Our fully loaded leverage ratio (Basel III) came to 6.4%, compared to 6.8% at the end of 2019. The solvency ratio for KBC Insurance under the Solvency II framework was 222% at the end of December 2020, compared to 202% at the end of 2019. Our liquidity position remained excellent too, as reflected in an LCR ratio of 147% and an NSFR ratio of 146% at year-end (compared to 138% and 136%, respectively, at the end of 2019).

1 Note that parent shareholders' equity for 2019 was restated by -143 million euros to take account of the change in software capitalisation policy

2 This amount is not deducted from the solvency ratios at year-end 2020

Analysis of the year-to-date period (FY2020)

Net result 1 440 million euros	- Net result down by 42% compared to full-year 2019. - Loan loss impairment charges significantly up, as they included 783 million euros in collective impairment charges for the coronavirus crisis. - Net interest income, net fee and commission income, trading and fair value income, dividend income and net other income down. - Tight cost control and excellent non-life result.

Highlights (compared to full-year 2019):

- Slightly lower **net interest income** (down 3% to 4 467 million euros), as the rate cuts made by the CNB in the Czech Republic, the depreciation of the Czech koruna and Hungarian forint against the euro and the negative impact related to lower reinvestment yields, among other factors, failed to be fully offset by the positive impact of TLTRO III and ECB deposit tiering, a positive one-off item related to inflation-linked bonds (insurance), higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic and Slovakia and a larger loan and government bond portfolio. On a comparable scope basis, the volume of deposits and debt certificates increased by 6% (or 11% excluding debt certificates) and lending volumes increased by 3%, with growth in all business units. All growth figures stated disregard forex movements. The net interest margin in 2020 came to 1.84%, down 11 basis points year-on-year.

- Increased **technical insurance result** (up 18% to 855 million euros). The non-life insurance technical result was up 15%, due largely to higher earned premiums, the lower level of technical charges (partly related to the lower level of claims in the lockdown period, despite an increase of the ageing reserves in the fourth quarter 2020 (of 21 million euros)) and a slightly higher ceded reinsurance result. The full-year non-life combined ratio amounted to an excellent 85%, compared to 90% for full-year 2019. Life insurance sales (1 989 million euros) were up 8%, with the increase in sales of unit-linked products more than offsetting the decrease in sales of guaranteed-interest products.

- Lower **net fee and commission income** (down 7% to 1 609 million euros), attributable primarily to a decline in fees for asset management services, and to a lesser extent, lower fees for banking services, higher distribution fees paid and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro. At the end of December 2020, total assets under management amounted to 212 billion euros, down 2% on the level recorded a year earlier (due primarily to limited net outflows in the 'investment advice' segment).

- Lower **trading and fair value income** (down 149 million euros to 33 million euros). The figure for the full-year 2020 was the result of a huge drop in the first quarter (as the outbreak of the coronavirus crisis initially caused stock markets to tumble, credit spreads to widen and long-term interest rates to fall), followed by a significant recovery in the second, third and fourth quarters.

- Lower level of all **other income items combined** (down 38% to 231 million euros), mainly attributable to the fact that the reference period had included the ČMSS-related one-off gain of +82 million euros and – to a lesser extent – to the lower level of dividend income.

- Lower **operating expenses** (down 3% to 4 156 million euros). Excluding bank taxes, operating expenses fell by 4.2%, even more than our full-year 2020 guidance of -3.5% year-on-year. This came about due to some direct impact of the coronavirus crisis (lower marketing, facilities and professional fees), lower staff expenses (a decrease in FTEs and lower accrual of variable compensation), a positive one-off impact of 10 million euros as a result of the updated software capitalisation policy and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro. These items more than offset the negative impact of wage drift and increased ICT costs, among other things. The year-to-date cost/income ratio came to 60%, or an adjusted 59% when certain non-operating items are excluded (compared to 58% for full-year 2019).

- Significant increase in **loan loss impairment charges** (up 871 million euros to 1 074 million euros). Almost three-quarters (783 million euros) of these impairment charges in the period under review was related to collective impairment charges for the coronavirus crisis, with 672 million euros based on a 'management overlay' and 111 million euros captured by the ECL models through updated macroeconomic variables. As a result, the credit cost ratio for the whole group rose to 0.60%, compared to 0.12% for full-year 2019. Impairment on other assets increased by 94 million euros to 108 million euros, due mainly to a one-off software impairment of 59 million euros in the fourth quarter of 2020 and the one-off negative impact of 29 million euros related to the payment moratorium (IFRS modification loss resulting from the time value of payment deferral).

- The 1 440-million-euro **net result** for 2020 breaks down as follows: 1 001 million euros for the Belgium Business Unit (down 343 million euros on the year-earlier level), 375 million euros for the Czech Republic Business Unit (down 414 million euros), 199 million euros for the International Markets Business Unit (down 179 million euros) and -135 million euros for the Group Centre (down 112 million euros). The result for the International Markets Business Unit for 2020 included 56 million euros for Slovakia, 114 million euros for Hungary, 76 million euros for Bulgaria and -48 million euros for Ireland.

Risk statement, economic views and guidance

Risk statement

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

At present, a number of items are considered to constitute the main challenges for the financial sector. These stem primarily from the impact of the coronavirus crisis on the global economy and, in particular, the financial sector (including credit and market risks and the impact of persisting low interest rates on our results). These risks come on top of risks relating to macroeconomic and political developments, which affect global and European economies, including KBC's home markets. Regulatory and compliance risks (including anti-money laundering regulations and GDPR) remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate-related risks are becoming increasingly prevalent. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

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

Our view on economic growth

After rebounding strongly in the third quarter, European economic growth was much more moderate in the fourth quarter. Quarter-on-quarter growth in the euro area turned negative again, while economic growth in Belgium and the Czech Republic remained slightly positive. The new pandemic measures following the resurgence of Covid-19 infections played an important role in this situation. The divergence between the weak service sector and the more resilient manufacturing sector was particularly noticeable. The manufacturing sector held up relatively well, helped by its more export-oriented character, meaning it also benefited from the more favourable economic recovery in China and the US.

The second pandemic wave gained some fresh momentum towards the end of 2020. Nevertheless, things appear to have taken a turn for the better in the fourth quarter. In particular, the approval of several vaccines and the start of vaccination campaigns have boosted hopes that the pandemic will ultimately be a temporary phenomenon. The agreement between the EU and the UK at year-end 2020 also reduced uncertainty about future trade relations, although the agreement is still far from complete. The conclusion of the US presidential elections removed another significant political risk. At the start of 2021, the main economic risk would seem to be in the form of a possible third pandemic wave and unexpected obstacles to the vaccination campaign.

2021 is set to be a year of transition. The impact of the vaccination programmes on the economic recovery will probably become increasingly visible in the second half of 2021. We expect an accelerated recovery for the European economy as of the second half of 2022.

Our view on interest rates and foreign exchange rates

Monetary and fiscal policy continue to support both the US and the euro area economies. We expect the Fed and the ECB to keep their policy rates unchanged in the years to come. Moreover, the extension in size and duration of the ECB's Pandemic Emergency Programme in December suggests that the environment of low long-term interest rates will remain in place for quite some time. We also expect intra-EMU sovereign spreads – and Bulgarian sovereign spreads – to broadly remain at their current compressed levels.

The exchange rate of the Hungarian forint against the euro was quite volatile during the fourth quarter and, on balance, ended the quarter virtually unchanged. We expect the Hungarian forint to strengthen somewhat against the euro in the first half of 2021, allowing the Hungarian Central Bank to ease its monetary policy stance again. The Czech koruna strengthened against the euro during the fourth quarter, helped by the support for long-term interest rates. We expect the Czech National Bank to raise its policy rate by 25 basis points in the second half of 2021.

The exchange rate of the US dollar against the euro weakened further in the fourth quarter, mainly as a result of weak real interest rate support. Some slight further depreciation in the short term is possible, but we expect the dollar to broadly stabilise in 2021, mainly on the back of increasing long-term interest rates in the US.

Guidance

- **Full-year 2021 guidance:**
  - *Net interest income*: in the region of 4.3 billion euros
  - *Operating expenses excluding bank taxes*: increase of approximately 2% year-on-year like-for-like (excluding the impact of the acquisition of OTP Slovakia) as some of the cost savings announced in 2020 (measures taken immediately after the first lockdown in March 2020) are not sustainable in 2021 and cost savings from our digital first strategy are more back-end loaded
  - *Credit cost ratio:* expected to be in line with the high end of our average through-the-cycle credit cost ratio (of 30-40 basis points)
- **Basel IV** impact (as of 1 January 2023) for KBC Group estimated at approximately 8 billion euros in higher risk weighted assets on a fully loaded basis at year-end 2020, corresponding with 8% risk weighted asset inflation and an impact of -1.3% points on the common equity ratio
- **Long-term financial guidance**:
  - CAGR total income (2020-2023): approx. 2% by 2023
  - CAGR OPEX excl. bank taxes (2020-2023): approx. 1% by 2023
  - Combined ratio: ≤ 92% by 2023
  - Common equity ratio (Fully loaded, Danish Compromise): 14.5% with a management buffer of 1% on top of, as of now
- **Dividend policy and capital deployment plan**:
  - **For 2019-2020**:
  - The ECB recommendation of 15 December 2020 limits dividend payments re. 2019 and 2020 profits to the lower of 15% of cumulated 2019-2020 profits and 20 basis points of RWA
    - As we paid out an interim dividend of 1 euro per share in November 2019, which represented more than 15% of the 2019 profit, the ECB recommendation limits the present dividend payment to 15% of the 2020 profits only. Therefore, for the accounting year 2020, a gross dividend of 0.44 euros per share will be proposed to the AGM and paid out in May 2021
    - As a consequence of the ECB recommendation, the payout for 2019 & 2020 is below the payout ratio of at least 50% in our dividend policy. The amounts not distributed are part of the surplus capital of KBC Group
  - Additionally, it is the intention of the Board of Directors of KBC Group to distribute an extra gross dividend of 2 euros per share over the accounting year 2020 in 4Q21 (this amount is not deducted from the solvency ratios at year-end 2020). The final decision of the Board of Directors is subject to restrictions on dividends being lifted by the ECB
  - **As of 2021**:
  - The dividend policy entails:
    - A payout ratio (i.e. dividend + AT1 coupon) of at least 50% of the consolidated profit of the accounting year
    - An interim dividend of 1 euro per share (payable in November of the accounting year) as an advance of the total dividend for the accounting year
  - We aim to be amongst the better capitalised financial institutions in Europe. Therefore, we are aiming for a (pre-Basel IV) fully loaded CET1 ratio of 14.5% (= reference capital position). A management buffer of 1% will be held on top of the reference capital position. When this buffer is used, the Board of Directors will decide at its discretion upon the replenishment of the buffer on an annual basis
  - On top of the payout ratio of at least 50% of consolidated profit, all capital which exceeds the reference capital position plus the 1% management buffer, will be considered for distribution to the shareholders. Each year, the Board of Directors will take this decision at its discretion when announcing the full year results
  - From the moment Basel IV will apply, the capital deployment plan will be updated (as of 1 January 2023 at the earliest)

Statement of the auditor

The statutory auditor, PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises srl, represented by Roland Jeanquart and Tom Meuleman, has confirmed that its audit work, which is substantially complete, has not to date revealed any significant matters requiring adjustments to the 2020 consolidated income statement, the condensed consolidated statement of comprehensive income for the year, the consolidated balance sheet and the consolidated statement of changes in equity and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes included in this press release.

Upcoming events	Annual report: 1 April 2021 AGM: 6 May 2021 1Q2021 results: 11 May 2021 Dividend: ex-date 17 May 2021; record date 18 May 2021; payment date 19 May 2021 (provided AGM approves)
More information on 4Q2020	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentation
Detailed impact of coronavirus crisis	Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' Company presentation, section 2 on 'Covid-19'
Definitions of ratios	'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

4Q 2020 and FY 2020

Glossary

AC: Amortised Cost
AFS: Available For Sale (IAS 39)
ALM: Asset Liability Management
ECL: Expected Credit Loss
FA: Financial Assets
FV: Fair Value
FVA: Funding Value Adjustment
FVO: Fair Value Option (designated upon initial recognition at Fair Value through Profit or Loss)
FVOCI: Fair Value through Other Comprehensive Income
FVPL: Fair Value through Profit or Loss
FVPL – overlay: Fair Value through Profit or Loss - overlay
GCA: Gross Carrying Amount
HFT: Held For Trading
MFVPL: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)
OCI: Other Comprehensive Income
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	2020	2019	4Q 2020	3Q 2020	4Q 2019
Net interest income	3.1	4 467	4 618	1 067	1 122	1 182
Interest income	*3.1*	*6 264*	*7 244*	*1 464*	*1 468*	*1 809*
Interest expense	*3.1*	*- 1 797*	*- 2 626*	*- 397*	*- 346*	*- 627*
Non-life insurance (before reinsurance)	3.7	865	756	192	233	229
Earned premiums	*3.7*	*1 777*	*1 721*	*450*	*448*	*441*
Technical charges	*3.7*	*- 912*	*- 966*	*- 258*	*- 215*	*- 212*
Life insurance (before reinsurance)	3.7	10	- 6	4	1	2
Earned premiums	*3.7*	*1 223*	*1 323*	*382*	*267*	*364*
Technical charges	*3.7*	*- 1 213*	*- 1 329*	*- 378*	*- 266*	*- 363*
Ceded reinsurance result	3.7	- 20	- 25	10	- 9	- 11
Dividend income		53	82	11	12	17
Net result from financial instruments at fair value through profit or loss	3.3	33	181	80	85	130
of which result on equity instruments (overlay approach)		*- 14*	*93*	*23*	*13*	*28*
Net realised result from debt instruments at fair value through OCI		2	6	- 1	1	0
Net fee and commission income	3.5	1 609	1 734	403	390	445
Fee and commission income	*3.5*	*2 365*	*2 476*	*602*	*575*	*643*
Fee and commission expense	*3.5*	*- 755*	*- 741*	*- 200*	*- 184*	*- 198*
Net other income	3.6	176	282	37	37	47
TOTAL INCOME		7 195	7 629	1 802	1 872	2 041
Operating expenses	3.8	- 4 156	- 4 303	- 988	- 926	- 1 045
Staff expenses	*3.8*	*- 2 329*	*- 2 357*	*- 626*	*- 564*	*- 602*
General administrative expenses	*3.8*	*- 1 518*	*- 1 595*	*- 326*	*- 267*	*- 352*
Depreciation and amortisation of fixed assets	*3.8*	*- 309*	*- 351*	*- 35*	*- 96*	*- 92*
Impairment	3.10	- 1 182	- 217	- 122	- 63	- 82
on financial assets at AC and at FVOCI	*3.10*	*- 1 074*	*- 203*	*- 57*	*- 52*	*- 75*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 108*	*- 14*	*- 66*	*- 11*	*- 7*
Share in results of associated companies and joint ventures		- 11	7	- 2	- 2	- 1
RESULT BEFORE TAX		1 847	3 116	690	881	912
Income tax expense	3.12	- 407	- 627	- 152	- 184	- 210
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		1 440	2 489	538	697	702
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**1 440**	**2 489**	**538**	**697**	**702**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		3.34	5.85	1.26	1.64	1.66
Diluted		3.34	5.85	1.26	1.64	1.66

Overview impact of the overlay approach on the consolidated income statement

The equity instruments of the insurance companies within the group are designated under the overlay approach. These equity instruments, mainly classified as AFS under IAS 39, would have been measured at fair value through P&L under IFRS 9. The overlay approach reclassifies from the income statement to OCI the extra volatility related to the adoption of IFRS 9 as long as IFRS 17 is not in place, until 31 December 2022 (subject to EU endorsement).

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to -25 million euros in 2020. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): -39 million euros of which -41 million euros realized and unrealized fair value adjustments included in ‘net result from financial instruments at fair value through profit or loss’ and +2 million euros income taxes;
- IAS 39 result: -14 million euros including net realized result amounting to +116 million euros and impairment loss of -131 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	2020	2019	4Q 2020	3Q 2020	4Q 2019
RESULT AFTER TAX	1 440	2 489	538	697	702
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	1 440	2 489	538	697	702
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	- 66	510	253	20	- 49
Net change in revaluation reserve (FVOCI debt instruments)	138	411	48	80	- 247
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 25	191	56	5	41
Net change in hedging reserve (cashflow hedges)	37	- 68	27	29	105
Net change in translation differences	- 291	- 18	149	- 131	68
Hedge of net investments in foreign operations	74	3	- 25	34	- 5
Net change in respect of associated companies and joint ventures	0	- 6	0	0	- 12
Other movements	0	- 3	- 3	2	1
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	- 35	127	- 4	- 35	124
Net change in revaluation reserve (FVOCI equity instruments)	7	8	2	6	- 8
Net change in defined benefit plans	- 46	119	- 6	- 41	131
Net change in own credit risk	5	- 1	0	1	0
Net change in respect of associated companies and joint ventures	- 2	0	0	0	0
TOTAL COMPREHENSIVE INCOME	1 339	3 126	787	682	777
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	1 339	3 126	787	682	778

The largest movements in other comprehensive income (2020 vs. 2019):

- Net change in revaluation reserve (FVOCI debt instruments): the +138 million euros in 2020 is mainly explained by lower interest rates. Note that 2020 includes compensating effects in 1Q versus 2Q, 3Q and 4Q 2020: the -182 million euros in 1Q 2020 was negatively impacted by higher credit spreads, while the +192 million euros, +80 million euros and +48 million euros in respectively 2Q, 3Q and 4Q 2020 were characterized by lower interest rates and credit spreads. In 2019, the revaluation reserve (FV OCI debt instruments) increased by 411 million euros, positively impacted by lower interest rates.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -25 million euros in 2020 can be explained by negative fair value movements, partly offset by transfers to net result (impairments partly offset by gains on disposal). In 2019, the +191 million euros can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments).
- Net change in hedging reserve (cash flow hedge): the +37 million euros in 2020 can be explained by the unwinding effect, partly offset by the lower interest rates. The lower interest rates largely explain the negative net change in the hedging reserve (cashflow hedge) of -68 million euros in 2019, partly offset by the unwinding effect.
- The net change in translation differences (-291 million euros) in 2020 was mainly caused by the substantial weakening of the CZK and HUF versus the EUR. This is only partially compensated by the hedge of the net investment in foreign operations (+74 million euros) as the hedging policy of FX participations since mid-2019 aims to stabilize the group capital ratio (and not parent shareholders' equity). In 2019, the net change in translation differences (-18 million euros) was relatively stable mainly thanks to y-o-y rather stable FX rates (HUF and CZK).
- Net change in defined benefit plans: the -46 million euros in 2020 includes compensating effects in 1Q versus 2Q, 3Q and 4Q 2020. The +100 million euros in 1Q 2020 is explained by the mortality risk of the KBC pension fund being fully reinsured as of 2020, while the higher discount rate is offset by a negative return on plan assets. In 2Q and 3Q 2020, the net change in defined benefit plans (respectively -98 million euros and -41 million euros) is mainly related to the lower interest rates, which is only partly offset by the positive return on the plan assets. The net change in defined benefit plans in 4Q 2020 (-6 million euros) was limited. The +119 million euros in 2019 can be largely explained by the positive return on plan assets partly compensated by lower discount rates.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2020	31-12-2019
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		24 583	8 356
Financial assets	4.0	286 386	273 399
Amortised cost	*4.0*	*243 527*	*230 639*
Fair value through OCI	*4.0*	*18 451*	*19 037*
Fair value through profit or loss	*4.0*	*24 248*	*23 563*
of which held for trading	*4.0*	*8 695*	*7 266*
Hedging derivatives	*4.0*	*160*	*158*
Reinsurers' share in technical provisions, insurance		145	121
Profit/loss on positions in portfolios hedged for interest rate risk		1 360	478
Tax assets		1 624	1 434
Current tax assets		*125*	*96*
Deferred tax assets		*1 499*	*1 337*
Non-current assets held for sale and disposal groups		19	29
Investments in associated companies and joint ventures		24	25
Property, equipment and investment property		3 691	3 818
Goodwill and other intangible assets		1 551	1 458
Other assets		1 361	1 474
TOTAL ASSETS		**320 743**	**290 591**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	276 781	248 400
Amortised cost	*4.0*	*254 053*	*224 093*
Fair value through profit or loss	*4.0*	*21 409*	*23 137*
of which held for trading	*4.0*	*7 157*	*6 988*
Hedging derivatives	*4.0*	*1 319*	*1 171*
Technical provisions, before reinsurance		18 718	18 560
Profit/loss on positions in portfolios hedged for interest rate risk		99	- 122
Tax liabilities		498	476
Current tax liabilities		*79*	*98*
Deferred tax liabilies		*419*	*378*
Provisions for risks and charges		209	227
Other liabilities		2 908	2 827
TOTAL LIABILITIES		299 214	270 369
Total equity	5.10	21 530	20 222
Parent shareholders' equity	5.10	20 030	18 722
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		**320 743**	**290 591**

The increase in the balance sheet total is for a substantial part driven by TLTROIII. For more information, see ‘Financial assets and liabilities: breakdown by portfolio and product’ (note 4.1) further in this report.
The balance sheet at 31 December 2020 contains figures of OTP Banka Slovensko (Slovakia), of which 99.44% ownership was acquired by KBC Bank NV on 26 November 2020, resulting in full consolidation on the balance sheet. For more information see note ‘Main changes in the scope of consolidation’ (note 6.6) further in this report.

In 2020, KBC made a change in accounting policy for intangible assets. Following the requirements of IAS 8, the change in accounting policy has been applied retrospectively (as if the new accounting policy had always been applied). Consequently, parent shareholders’ equity of 2019 has been retrospectively restated (decrease of 143 million euros). For more information, see ‘Statement of compliance’ (note 1.1) further in this report.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
2020									
Balance at the end of the previous period	**1 458**	**5 498**	**- 2**	**11 732**	**37**	**18 722**	**1 500**	**0**	**20 222**
Net result for the period	0	0	0	1 440	0	**1 440**	0	0	**1 440**
Other comprehensive income for the period	0	0	0	0	- 102	**- 102**	0	0	**- 102**
Subtotal	**0**	**0**	**0**	**1 440**	**- 102**	**1 339**	**0**	**0**	**1 339**
Dividends	0	0	0	0	0	**0**	0	0	**0**
Coupon on AT1	0	0	0	- 50	0	**- 50**	0	0	**- 50**
Capital increase	1	17	0	0	0	**18**	0	0	**18**
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	23	- 23	**0**	0	0	**0**
Purchase/sale of treasury shares	0	0	1	0	0	**1**	0	0	**1**
Change in minorities interests	0	0	0	0	0	**0**	0	0	**0**
Total change	1	17	1	1 414	- 125	**1 308**	0	0	**1 308**
Balance at the end of the period	**1 459**	**5 514**	**- 1**	**13 146**	**- 88**	**20 030**	**1 500**	**0**	**21 530**
2019									
Balance at the end of the previous period	**1 457**	**5 482**	**- 3**	**10 901**	**- 605**	**17 233**	**2 400**	**0**	**19 633**
Change in accounting policies	0	0	0	- 143	0	**- 143**	0	0	**- 143**
Adjusted balance at the end of previous period	**1 457**	**5 482**	**- 3**	**10 758**	**- 605**	**17 090**	**2 400**	**0**	**19 490**
Net result for the period	0	0	0	2 489	0	**2 489**	0	0	**2 489**
Other comprehensive income for the period	0	0	0	- 3	640	**637**	0	0	**637**
Subtotal	**0**	**0**	**0**	**2 486**	**640**	**3 126**	**0**	**0**	**3 126**
Dividends	0	0	0	- 1 457	0	**- 1 457**	0	0	**- 1 457**
Coupon on AT1	0	0	0	- 52	0	**- 52**	0	0	**- 52**
Issue/repurchase of AT1 included in equity	0	0	0	- 2	0	**- 2**	- 900	0	**- 902**
Capital increase	1	15	0	0	0	**16**	0	0	**16**
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 1	1	**0**	0	0	**0**
Change in scope	0	0	0	0	0	**0**	0	0	**0**
Change in minorities interests	0	0	0	0	0	**0**	0	0	**0**
Total change	1	15	0	974	641	**1 632**	- 900	0	**732**
Balance at the end of the period	**1 458**	**5 498**	**- 2**	**11 732**	**37**	**18 722**	**1 500**	**0**	**20 222**

2020
The ECB recommendation of 15 December 2020 limits dividend payments re. 2019 and 2020 profits to the lower of 15% of cumulated 2019-2020 profits and 20 basis points of RWA.

- As we paid out an interim dividend of EUR 1 per share in November 2019, which represented more than 15% of the 2019 profit, the ECB recommendation limits the dividend payment to 15% of the 2020 profits only. Therefore, for the accounting year 2020, a gross dividend of 0.44 EUR per share will be proposed to the Annual General Meeting and paid out in May 2021
- As a consequence of the ECB recommendation, the pay-out for 2019 & 2020 is below the pay-out ratio of at least 50% in our dividend policy. The amounts not distributed are part of the surplus capital of KBC Group.

The changes in equity in 2020 include a transfer from revaluation reserves (FVOCI equity instruments) to retained earnings for 23 million euros on realisation, mainly related to a corporate action.

2019
The 'Dividends' item in 2019 includes:

- for 2018 a closing dividend of 2.50 euros per share (a total of 1 040 million euros is deducted from retained earnings in 2Q 2019). The closing dividend was paid on 9 May 2019.
- an interim dividend of 1 euro per share (416 million euros in total), as an advance on the final dividend for 2019, paid on 15 November 2019 (already deducted from retained earnings in 3Q 2019).

The line 'Issue or Call of additional Tier-1 instruments included in equity' in 2019 includes:

- on February 26, 2019 KBC Group NV placed 500 million euros Additional Tier-1 securities.
- on 19 March 2019, KBC called the Additional Tier-1 (AT1) instrument it issued in 2014, which had a nominal value of 1.4 billion euros. For more information see note 'Parent shareholders equity and AT1 instruments' (note 5.10) further in this report.

In 2020, KBC made a change in accounting policy for intangible assets. Following the requirements of IAS 8, the change in accounting policy has been applied retrospectively (as if the new accounting policy had always been applied). Consequently, parent shareholders' equity of 2019 has been retrospectively restated (decrease of 143 million euros). For more information, see Statement of compliance (note 1.1) further in this report.

(in millions of EUR)	31-12-2020	31-12-2019
Revaluation reserve (FVOCI debt instruments)	1 130	992
Revaluation reserve (FVPL equity instruments) - overlay	325	350
Revaluation reserve (FVOCI equity instruments)	15	32
Hedging reserve (cashflow hedges)	- 1 294	- 1 331
Translation differences	- 382	- 92
Hedge of net investments in foreign operations	163	89
Remeasurement of defined benefit plans	- 45	0
Own credit risk through OCI	1	- 4
Total revaluation reserves	**- 88**	**37**

Consolidated cash flow statement

More details will be available in the annual report of 2020.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2019)

The condensed interim financial statements of the KBC Group for the period ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The following IFRS standards became effective on 1 January 2020 and have been applied in this report:

- Amendments to IAS 39 and related standards
    - As part of the phase 1 of the IBOR reform, the IASB has published a number of amendments to IAS 39 (and related standards which are also affected), which provide temporary relief from adopting specific hedge accounting requirements for hedging relationships directly affected by this reform. For more information regarding the IBOR reform, we refer to the 2019 Annual Report, to the section 'How do we manage our risks?'.

The following IFRS standards were issued and not yet effective in 2020, but KBC decided to early adopt.

- Amendments to IAS 39 and related standards
    - As part of the phase 2 of the IBOR reform, the IASB has published a number of amendments to IAS 39 (and related standards which are also affected), which provide temporary relief from adopting specific hedge accounting requirements for hedging relationships directly affected by this reform. KBC decided to early adopt these amendments in 2020. For more information regarding the IBOR reform, we refer to the 2019 Annual Report, to the section 'How do we manage our risks?'.

The following IFRS standards were issued but not yet effective in 2020. KBC will apply these standards when they become mandatory.

- IFRS 17:

    In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

    The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 will become effective for reporting periods beginning on or after 1 January 2023 (subject to EU endorsement), with comparative figures being required. KBC launched a group-wide project to implement IFRS 17 in 2018. The project is composed of sub-projects such as data delivery, local reporting, impact on business and strategic implications, guidance and support, consolidated reporting and IFRS 17 calculation tool.

    The project is driven by the insurance business and Finance together and involves all departments and entities at group and local level that are affected. In the past year the focus has been on the further development of an unambiguous interpretation of the IFRS 17 standard and the further implementation of an IFRS 17-compliant process for the closing of the accounts. The interpretation of the IFRS 17 standard was gradually adjusted where necessary when new information became available from external sources or internal sources. Thus, we now also take into account the amendments to the original standard that were published by the IASB in June 2020.

    Regarding the European ratification of the 'amended' IFRS 17 standard, EFRAG (European Financial Reporting Advisory Group) published its draft opinion at the end of September 2020. After incorporating the feedback from its stakeholders, EFRAG is expected to send its final advice to the European Commission at the end of March 2021.

- Other:
    - The IASB published several limited amendments to existing IFRSs and IFRICs. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

In 2020, KBC made a change in accounting policy for intangible assets, with the aim to provide more relevant information by focusing on relevant and material software developments (in relation to our digitalization strategy from a front-end and/or back-end perspective). Only software above certain thresholds may be capitalized, whereas software below these thresholds will be directly expensed in operating expenses.

As a result of the change in accounting policy, low value software has been derecognized. Following the requirements of IAS 8, the change in accounting policy has been applied retrospectively (as if the new accounting policy had always been applied). Consequently some balance sheet items for 2019 have been retrospectively restated: It concerns goodwill and other intangible assets (decrease of 182 million EUR), deferred tax assets (increase of 38 million euros), deferred tax liabilities (decrease of 2 million euros) and parent shareholders' equity (decrease of 143 million euros). The changes have an impact on the following tables in this quarterly report: Consolidated balance sheet and Consolidated statement of changes in equity. The profit and loss of 2019 and the first three quarters of 2020 have not been retrospectively restated given the limited impact.

Summary of significant accounting policies (note 1.2 in the annual accounts 2019)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2019.

Exchange rates used: during 2020, the exchange rates of the CZK and HUF dropped significantly, with negative impact on the balance sheet total and on the result:

- CZK (1 EUR = … currency):
  - exchange rate used for balance sheet depreciated versus EUR from 25.408 at year-end 2019 to 26.242 at 31 December 2020;
  - the average rate used for the income statement evolved from 25.672 in 2019 to 26.463 in 2020

- HUF (1 EUR = … currency):
  - exchange rate used for balance sheet depreciated versus EUR from 330.53 at year-end 2019 to 363.89 at 31 December 2020;
  - the average rate used for the income statement evolved from 325.35 in 2019 to 352.66 in 2020

COVID-19 (note 1.4)

Introduction:

The continuing public health crisis around the world has distressed financial markets amid concerns that the global economy, and the EU's economies in particular, were significantly affected in 2020. The Coronavirus pandemic has triggered a chain of events in the markets that has led to a sharp increase in volatility.

The significant deterioration in the economic outlook has brought about an unprecedented monetary policy response from central banks and governments around the world.

Meanwhile, we have been working hard with government agencies to support all customers impacted by coronavirus, by efficiently implementing various relief measures, including loan deferrals. In our six home countries combined, we have granted a total of 13.4 billion euros in loan payment deferrals by the end of December 2020 (according to the EBA definition) of which 8.7 billion euros of loan payment deferrals already expired. We have also granted 0.8 billion euros' worth of loans under public Covid-19 guarantee schemes (see on the next page, the latest status of the different government and sector measures in each of our core countries).

Latest status overview of the different government and sector measures in each of our core countries:

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria	Ireland
Deferral of payments	• **Opt-in: 3 months for consumer finance, 6-9 months for mortgages and non-retail loans,** (originally until 31 Oct 2020) • Application period extended for a second time (to 31 Mar 2021). All deferrals to expire at the end of June (max. total deferral period of 9 months) • For private persons: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients • Interest is accrued over deferral period, apart from families with net income of less than 1 700 euros. For the latter group, this results in a modification loss for the bank. (-11 million euros in 2Q. Refer to note 3.10)	• **Opt-in: 3 or 6 months** • Application period finished on 30 Sep 2020, however end of Oct 2020 all deferrals expired • Applicable for retail and non-retail clients • For private persons and entrepreneurs: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients • Interest is accrued over the deferral period, but the interest must be paid in the final instalment, resulting in a modification loss for the bank (-5 million euros in 2Q. Refer to note 3.10) • For consumer loans, the interest during the deferral period may not exceed the 2-week repo rate + 8%	• **Opt-in: 9 months or 6 months (for leases)** • Application period is still running (but most payment holidays will end in 1Q 2021) • Applicable for retail customers, SMEs and entrepreneurs • Deferral of principal and interest payments • Interest is accrued over the deferral period, but the customer has the option of paying all interests at once after the moratorium or paying on a linear basis. The latter option would result in an immaterial modification loss for the bank	• **Opt-out: a blanket moratorium** originally until 31 Dec 2020 • Extension of the deferral period until 30 Jun 2021 • Applicable for retail and non-retail clients • Extension conditions are the same as the original moratorium • Deferral of principal and interest payments • Interest is accrued over the deferral period, but unpaid interest cannot be capitalised and must be collected on a linear basis during the remaining (extended) lifetime. This results in a modification loss for the bank (-18 million euros in 1Q; revised to -11 million euros in 2Q based on the actual opt-out ratio and increased to -12 million euros due to the extension Refer to note 3.10)	• **Opt-in: 9 months (deferral until 31 Dec 2021 at the latest)** • Application period expires on 31 Mar 2021 • Applicable for retail and non- retail customers • Deferral of principal with or without deferral of interest payments • For both, full and partial deferrals, the tenor is extended by 9 months (or 6+3) • Interest is accrued over the deferral period and is payable in 12 months (consumer); in 18 months (or 12 + 6) for non-retail or 60 months (mortgages) in equal instalments	• **Opt-in: 3 to 6 months** • Application period expired on 30 Sep 2020 • Applicable for mortgage loans, consumer finance loans and business banking loans with a repayment schedule • Deferral of principal and interest payments for up to 6 months (with review after 3 months) for Mortgages & Consumer finance and 3 months for business banking loans • Option for customers to extend their loan term by up to 6 months to match the payment holiday • Interest is accrued over the deferral period
Guarantee scheme & Liquidity assistance	• A **state guarantee scheme** of up to 40 billion euros to cover losses incurred on future non-retail loans granted before 31 December 2020 to viable companies, with a tenor of maximum 12 months. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses. Maximum interest is 1.25% • As of 3Q, **a revised state guarantee scheme** of up to 10 billion euros has been in place to cover losses on future SME loans granted before 31 December 2020 (extended until June 2021) , with a tenor between 1 and 3 years (extended to 5 years). Guarantee covers 80% of all losses. Maximum interest is 2% (or 2.5% if tenor > 3 years)	• The **Czech-Moravian Guarantee and Development Bank (CZMRB)** launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount (depending on the program and the size of the company). Interest on these loans is subsidised up to 25% (COVID II). COVID III extended until June 2021 • **The Export Guarantee and Insurance Corporation (EGAP)** under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees up to 90% of of the loan amount, depending on the rating of the debtor. The program is aimed at companies in which exports accounted for more than 20% of turnover in 2019	• **Anti-Corona Guarantee program offered by the Slovak Investment Holding (SIH)**, and aimed at SMEs, consists of two components: (i) an 80% state guarantee with a 50% portfolio cap and (ii) an interest rate subsidy of up to 4% p.a. • In addition, financial aid in the form of state guarantee schemes, with guaranteed fee subsidy can be provided by (i) the Export-Import Bank of Slovakia (guarantee of up to 80% for loans < 2 million euros) and (ii) the Slovak Investment Holding (for loans between 2 and 20 million euros, guarantee of up to 90%). No portfolio cap	• **A guarantee scheme is provided by Garantiqa and the Hungarian Development Bank.** These state guarantees can cover up to 90% of the loans with a maximum term of 6 years • Furthermore, the **MNB has launched the Funding for growth scheme**: A framework amount of 4,2 billion euros for SMEs that can receive loans with a 20-year tenor and at a maximum interest rate of 2.5% • Annual interest rate on personal loans granted by commercial banks may not exceed the central bank base rate by more than 5pp (until 31 Dec 2020)	• **0.4 billion euros of state guarantees provided by the Bulgarian Development Bank** to commercial banks. Of this amount, 0.1 billion euros is used to guarantee 100% on consumer loans while 0.3 billion euros is planned to be used to guarantee 80% on non-retail loans	• The Irish authorities put substantial relief measures in place, amongst other measures, via the SBCI. KBCI is mainly focused on individual customers, therefore the relief programs for business customers are less relevant

Main Corona related items affecting the 2020 results, revaluation reserves, liquidity and solvency:

Items	Impact of the Coronacrisis	See further in note
Net interest income	Net interest income was negatively impacted in 2020 following multiple repo rate cuts of the Czech National Bank and in general lower long term interest rates than expected. This was partly compensated by lower funding costs thanks to ECB's TLTRO programme (TLTRO III), while lending income was supported by higher average volumes.	3.1
Non-life insurance	High technical result in 2020, supported by a low claims level as a result of the lower economic activity related to the lockdown.	3.7.1
Life insurance	Challenging context for the sale of life insurance products in view of the low interest rates environment.	3.7.1
Financial instruments at fair value through P&L	Financial instruments at fair value through P&L have been negatively affected by the increased volatility in financial markets in 2020, leading to a net result on financial instruments at fair value through profit or loss of +0.03 billion euros in 2020 (-0.4 billion euros in 1Q 2020 due to lower stock markets and widened credit spreads versus opposite movements in the following quarters of 2020).	3.3
Net fee and commission income	Net fee and commission income was negatively impacted by the coronavirus pandemic for asset management related fees (lower entry fees due to decreased sales and margins; lower management fees due to a lower average level of assets under management (mainly due to the drop in share prices in 1Q 2020) in combination with lower margins). Moreover, fees related to banking services also went down (payment services fees, for instance lower activity level due to the lockdowns). Securities fees on the other hand performed substantially better as transaction volumes typically rise in a higher volatility environment.	3.5
Operating expenses	Significant opex reduction thanks to the various saving measures (which amongst others have resulted in lower provisions for variable remuneration and less FTEs) and lower marketing, travel, facility and event expenses (directly related to a lower activity level due to the lockdowns).	
Impairment on financial assets at AC and at FVOCI	Strong increase of collective ECL impairments; see separate section below.	3.10 and 4.2
Impairments on goodwill	We have performed the full yearly goodwill impairment test based on the discounted cash flow method. The outcome showed no impairment.	
Deferred taxes	We have investigated whether it is probable that taxable profit will be available against which the deductible temporary differences can be utilised based on projections for a period of eight to ten years. The conclusion of this analysis is that there are sufficient estimated taxable profits available.	
Revaluation reserves	Negative net change in revaluation reserve (FVPL equity instruments – overlay approach) and translation differences.	Consolidated statement of comprehensive income (condensed)
Liquidity	KBC has maintained its strong liquidity position throughout the Coronacrisis, supported by KBC's participation in TLTRO III funding. The Liquidity Coverage Ratio (LCR) of KBC Bank, which gives an idea of the bank's liquidity position in the short term, increased in 2020 and amounted to 147% at the end of December 2020 (compared to 138% at the end of December 2019). The Net Stable Funding Ratio (NSFR) of KBC Bank, which gives an idea of the bank's structural liquidity position in the long term, amounted to a high 146% at the end of December 2020 (compared to 136% at the end of December 2019).	
Solvency	Our solvency position remained very strong, with a common equity ratio of 17.6% on a fully loaded basis (compared to 17,1% at the end of 2019). For more information, see part Solvency KBC Group.	
Retirement obligations	Increase in the employer's obligations in respect of employee benefits (defined benefit plan obligations) due to the impact of the historically low discount rate. The value of the assets held up, on the one hand because of this low interest rate and on the other hand because of the steady recovery of the stock markets after the pandemic.	

Details related to the impact of the Coronacrisis on the loan impairments in 2020

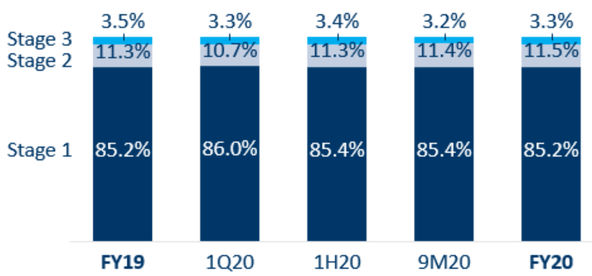
As disclosed during previous quarters, our Expected Credit Loss (ECL) models were not able to adequately reflect all the specifics of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level is required via a management overlay. In the first quarter, this calculation was limited to a certain number of (sub)sectors. In the second quarter, driven by significant uncertainties around the Covid-19 crisis, the scope of the management overlay was expanded to include all sectors of our Corporate and SME portfolio as well as our retail portfolio. To be consistent with the second and third quarter, we recalculated the Covid-19 ECL based on the same methodology used on the performing and non-performing portfolio at the end of December 2020 but including the latest economic scenarios.

Until now, only minor PD shifts have been observed in our portfolio, which is reflected in stable staging percentages (for further information, see note 4.2.1). Note that in line with ECB/ESMA/EBA guidance, any EBA-compliant government measures granted before the end of September 2020, as well as newly granted measures between 1 October 2020 and the end of December 2020, have not led to automatic staging.

Total loan portfolio outstanding by segment*

(in billions of EUR)	YE19	1Q20	1H20	9M20	FY20
Loan portfolio outstanding	**175**	**180**	**179**	**179**	**181**
Retail	42%	40%	41%	42%	43%
of which mortgages	38%	37%	38%	39%	40%
of which consumer finance	3%	3%	3%	3%	3%
SME	22%	21%	21%	22%	22%
Corporate	37%	39%	38%	37%	35%

Total loan portfolio outstanding by IFRS 9 ECL stage *



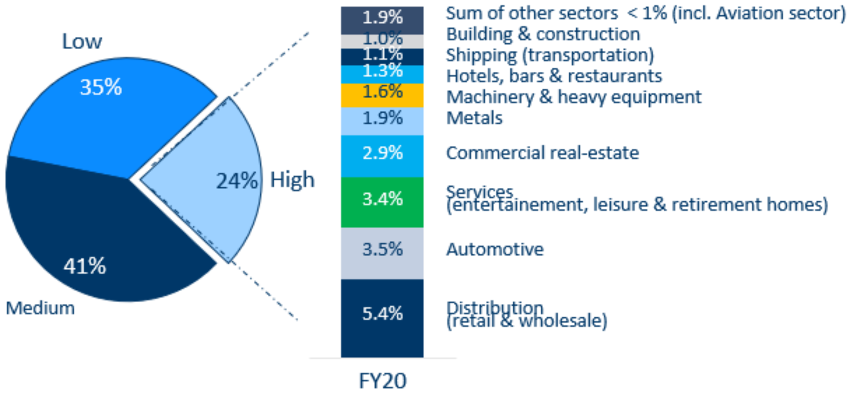
*Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements.

For the 31 December performing portfolio, the following 3-step approach was applied to estimate the additional Covid-19 impact:

1) Similar to the previous quarters, the methodology used for this purpose starts from KBC's updated macroeconomic forecast for end December 2020 (see paragraph Economic scenarios below for more details on these forecasts). The base scenario was translated to expert-based stress migration matrices, per country and per segment. The portfolio was transformed using this migration matrix, whereby a certain portion moved to inferior PD rating classes or default, a certain portion remained unchanged and a minor portion improved. After this transformation, the ECL was calculated again based on the new portfolio structure, including staging. The estimate of Covid-19 base-case ECL impact was then determined as the difference between the ECL calculated on the portfolio before and after applying the stressed migration matrix.
2) In a second step, a sectoral effect was incorporated in the calculation to refine the Covid-19 ECL. The purpose of this step is to reflect the fact that some sectors will be more heavily affected than others, something which is not yet captured by the migration matrices. All exposures in the SME and Corporate portfolio were classified as high, medium or low risk based on the expected impact of the Covid-19 crisis on the sector affected (for Mortgages and Consumer Finance, no sectoral stress was applied). Based on this classification, the following expert-based weights were applied to the ECL impact as determined in the first step described above: 150% for high risk sectors, 100% for medium risk sectors and 50% for low risk sectors. This resulted in a “sector-driven” Covid-19 base-case ECL following the base-case scenario.

   Compared to the previous quarter, the sector split between high-medium-low risk did not undergo major changes. There were only some minor reallocations of underlying activities from ‘high’ to ‘medium’ or even to ‘low’ risk. Similarly, there were only very limited shifts from ‘medium’ to ‘high’ risk, situated mainly in the following sectors:
   - Machinery & heavy equipment: The entire sector (with a share of 1.6%) was moved into the ‘high risk’ category as companies active in this sector are considered more vulnerable following the expectation that their clients will defer CAPEX investments (note that a part of the underlying activities was already included in ‘high risk’ in the previous quarters, see ‘sum of sectors <1%’).
   - Distribution: A minor share of activities related to the wholesale distribution of textile and entertainment goods was moved into the ‘high risk’ category adding to the already designated retail & wholesale part (mainly retail fashion and apparel).

SME & Corporate loan portfolio* of 103bn EUR broken down by sector sensitivity to Covid-19 :



*Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements.

3) Finally, a probability-weighted management overlay was calculated based on KBC's base-case, optimistic and pessimistic scenarios and attributed weights. An expert-based scaling factor was applied on the estimated sector-driven Covid-19 base-case ECL from the previous step to determine the collective Covid-19 impact under an optimistic and pessimistic scenario. The final overlay was then determined by weighting the resulting Covid-19 ECL under the three scenarios with the following weights: 55% for the base-case, 10% for the optimistic and 35% for the pessimistic scenario.

For the non-performing portfolio, in line with the second quarter, an additional impact assessment was performed on a portfolio basis for the stage 3 collective exposures based on expert judgement of the local credit risk management departments. Additional impairments due to Covid-19 on individually assessed stage 3 loans are already reflected in the specific allowance of the exposure (hence already included in P&L impairments) and thus not included in the management overlay.

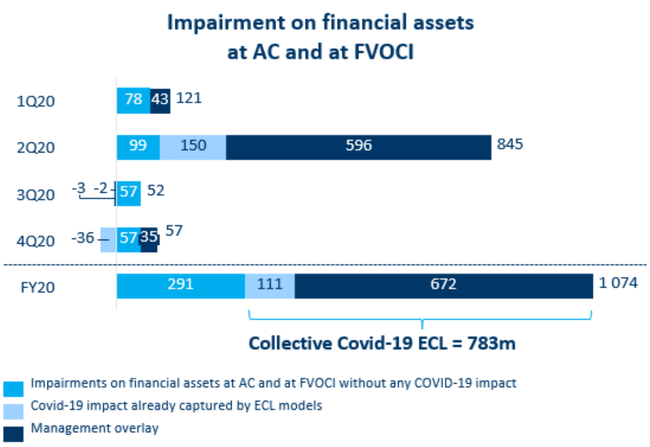
COVID-19 ECL sector driven – per scenario:

KBC Group EUR m	Performing portfolio *High risk sectors 150%*	*Medium risk sectors 100%*	*Low risk sectors 50%*	*Mortgages & other retail*	TOTAL
Base-case scenario	**241**	**194**	**60**	**123**	**618**
Optimistic scenario	200	160	53	98	511
Pessimistic scenario	334	272	81	243	930

COVID-19 ECL per country – per scenario:

FY20 *EUR m*	Performing portfolio impact *Optimistic* 10%	*Base* *55%*	*Pessimistic* *35%*	Probability weigthed	Non-Performing portfolio	Total FY20	4Q20	3Q20	2Q20	1Q20
KBC Group	**511**	**618**	**930**	**717**	**66**	**783**	**-1**	**-5**	**746**	**43**
By country:										
Belgium	338	358	464	393	20	413	3	-3	378	35
Czech Republic	95	137	195	153	9	162	-5	9	152	6
Slovakia	23	32	48	37	0	37	0	-3	39	1
Hungary	25	45	81	56	0	56	2	-1	54	1
Bulgaria	7	17	26	19	5	24	1	-5	28	n/a
Ireland	23	29	116	59	32	91	-2	-2	95	n/a

The 3-step stress approach applied to the performing portfolio and the additional impact assessment of the non-performing portfolio resulted in a total 12M20 collective Covid-19 ECL of 783 million euros, implying a small P&L release of 1 million euros in 4Q 2020 compared to the 784 million euros P&L charge of 9M20. This q-o-q release resulted from a release in the non-performing portfolio of 4 million euros due entirely to the improved HPI forecast for Ireland, partly offset by an increase in the performing portfolio of 3 million euros due to small changes in the different country-level portfolios. The total collective Covid-19 ECL of 783 million euros in 12M20 consists of 6% stage 1, 86% stage 2 and 8% stage 3 impairments.



After 12M, the ECL models captured an impact of 111 million euros through the updated macroeconomic variables used in the calculation (40% in stage 1, 30% in stage 2 and 30% in stage 3), resulting in a q-o-q decrease of 36 million euros. This decrease can be explained by the improvement of the 2020 macro assumptions and a gradual recovery which accelerates in the second half of 2021.

The total Covid-19 management overlay in the books per 31-12-2020 amounts to 672 million euros, of which 43 million euros was accounted for in 1Q 2020, 596 million euros in 2Q 2020, with a small decrease of 2 million euros booked in 3Q 2020 and an increase of 35 million euros booked in 4Q 2020 following the reduction in the impact captured by the models as explained above. Similar to previous quarters, the management overlay is fully presented as stage 2, with the exception of the management overlay on the existing non-performing portfolio.

Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to 0.60% in 2020.

Credit Cost % *(annualized*)*	FY19	3M20	1H20	9M20	FY20
Without collective COVID-19 ECL	0.12%	0.17%	0.20%	0.17%	0.16%
With collective COVID-19 ECL		0.27%	0.64%	0.61%	0.60%

*Collective Covid-19 ECL, not annualized

Economic scenarios

KBC has formulated three different forecasts that differ on the virus evolution and its impact on the lockdown measures in the different home countries. In short the three scenarios can be summarized as follows:

OPTIMISTIC SCENARIO	**BASE SCENARIO**	PESSIMISTIC SCENARIO
Virus spread and impact more quickly under control thanks to earlier than expected large-scale availability of vaccines, allowing social distancing measures and other precautionary measures to be lifted sooner	Start of vaccination process and wider testing and tracing will allow only a very moderate easing of precautionary measures in H1 2021. From mid-2021 on, the normalisation of socio-economic interactions will be helped by the mass rollout of effective vaccines. However, as the vaccination process will take time, socio-economic interactions will not return to normal before 2022	The virus reappears and continues to weigh on society and the economy, because of setbacks in the vaccination process (e.g., logistical problems, disappointing immunity results, etc.)
Steep and steady recovery from the first half of 2021 onwards, with a fast return to pre-Covid-19 levels of activity	The recovery will be gradual. It will take until the second half of 2021 for the mass rollout of vaccines to reinforce the recovery to pre-Covid-19 levels of activity by the end of 2023	Another (series of) shock(s) takes place, leading to an interrupted and unsteady path to recovery
Sharp, short V-pattern	U-pattern	More L-like pattern, with right leg only slowly increasing

The Covid-19 pandemic continues to be the main driver of the global economy. However, the rollout of the different vaccines will support the economic recovery in the medium term. The strength and/or timing of the recovery is country-specific and subject to significant uncertainty. Also, the possible resurgence of virus outbreaks remains a concern and is forcing many countries to maintain or even extend specific lockdown measures. Because of this uncertainty, we continue to work with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario. The definition of each scenario reflects the latest virus-related and economic developments, with the following probabilities assigned for year-end 2020: 55% for the base-case, 35% for the pessimistic and 10% for the optimistic scenario.

The following table (in line with the KBC forecast of December 2020) gives these three scenarios for three key indicators (GDP growth, unemployment rate and house price index) for each of our core countries for the next years. After that, a gradual linear transition towards a steady state is taken into account. The baseline scenario now incorporates an improvement in the macro assumptions for 2020 and a gradual recovery in Europe that accelerates in the second half of 2021.

Macroeconomic base scenario – key indicators (December 2020)	2020	2021			2022		
Scenario	Base	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Real GDP growth							
Euro area	-7.5%	7.4%	2.4%	-3.1%	4.1%	4.1%	1.8%
Belgium	-7.4%	6.8%	0.9%	-4.5%	3.6%	4.1%	1.6%
Czech Republic	-6.5%	4.4%	2.7%	-2.0%	4.1%	5.0%	3.2%
Hungary	-6.0%	6.3%	3.5%	-1.0%	4.5%	4.8%	3.5%
Slovakia	-6.8%	7.0%	4.2%	1.6%	4.8%	4.2%	3.2%
Bulgaria	-5.0%	4.0%	3.0%	-1.0%	3.0%	4.0%	2.0%
Ireland	2.5%	6.0%	4.0%	1.0%	6.0%	4.0%	1.0%
Unemployment rate							
Belgium	5.8%	6.2%	7.2%	8.2%	5.9%	6.9%	8.0%
Czech Republic	3.3%	3.5%	4.2%	5.2%	3.3%	4.0%	5.6%
Hungary	4.8%	4.2%	5.0%	7.0%	4.0%	4.6%	6.5%
Slovakia	8.0%	8.0%	9.5%	12.0%	7.5%	8.0%	10.0%
Bulgaria	8.0%	6.0%	10.0%	12.0%	4.3%	7.0%	11.0%
Ireland	18.0%	5.0%	7.0%	14.0%	4.0%	6.0%	10.0%
House price index							
Belgium	3.0%	2.0%	-3.0%	-5.0%	2.5%	1.0%	-2.0%
Czech Republic	6.7%	3.6%	1.5%	-3.0%	4.0%	2.0%	-1.0%
Hungary	-1.0%	2.5%	-1.0%	-4.0%	3.5%	2.0%	-1.0%
Slovakia	9.0%	3.5%	1.2%	-4.0%	4.0%	2.0%	-1.0%
Bulgaria	1.0%	1.0%	0.0%	-1.0%	3.0%	3.0%	0.0%
Ireland	0.0%	3.0%	0.0%	-3.0%	4.0%	1.0%	-3.0%

Note:

- *The unemployment rate of Ireland includes temporary layoffs rather than permanent job losses, and as such, may improve rapidly over vaccine rollout becomes better established in Ireland.*
- *The macroeconomic information is based on the economic situation in December 2020 and hence does not yet reflect the official macroeconomic figures for 4Q 2020 as reported by different authorities.*

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2019)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2019.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
2020									
Net interest income	2 579	1 012	894	*262*	*202*	*144*	*286*	- 18	**4 467**
Non-life insurance (before reinsurance)	562	141	150	*55*	*27*	*68*	*0*	13	**865**
Earned premiums	1 141	302	321	*143*	*52*	*126*	*0*	12	**1 777**
Technical charges	- 579	- 161	- 172	*- 88*	*- 25*	*- 58*	*0*	0	**- 912**
Life insurance (before reinsurance)	- 63	48	26	*- 1*	*12*	*15*	*0*	- 1	**10**
Earned premiums	913	206	105	*35*	*34*	*36*	*0*	0	**1 223**
Technical charges	- 976	- 158	- 79	*- 36*	*- 22*	*- 21*	*0*	0	**- 1 213**
Ceded reinsurance result	- 12	- 1	- 5	*- 3*	*3*	*- 5*	*0*	- 2	**- 20**
Dividend income	47	1	0	*0*	*0*	*0*	*0*	4	**53**
Net result from financial instruments at fair value through profit or loss	32	7	43	*39*	*9*	*0*	*- 4*	- 51	**33**
Net realised result from debt instruments at fair value through OCI	0	1	2	*1*	*2*	*0*	*0*	0	**2**
Net fee and commission income	1 138	203	273	*191*	*58*	*28*	*- 3*	- 4	**1 609**
Net other income	157	13	8	*4*	*8*	*3*	*- 9*	- 1	**176**
TOTAL INCOME	4 438	1 425	1 391	*548*	*320*	*253*	*269*	- 59	**7 195**
Operating expenses	- 2 398	- 752	- 894	*- 323*	*- 204*	*- 139*	*- 228*	- 111	**- 4 156**
Impairment	- 695	- 226	- 250	*- 85*	*- 45*	*- 30*	*- 91*	- 11	**- 1 182**
of which on FA at amortised cost and at fair value through OCI	- 654	- 210	- 217	*- 59*	*- 42*	*- 27*	*- 90*	7	**- 1 074**
Share in results of associated companies and joint ventures	- 9	- 2	0	*0*	*0*	*0*	*0*	0	**- 11**
RESULT BEFORE TAX	1 335	446	247	*140*	*71*	*84*	*- 50*	- 181	**1 847**
Income tax expense	- 335	- 71	- 48	*- 26*	*- 15*	*- 9*	*2*	46	**- 407**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	1 001	375	199	*114*	*56*	*76*	*- 48*	- 135	**1 440**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	1 001	375	199	*114*	*56*	*76*	*- 48*	- 135	**1 440**
2019									
Net interest income	2 516	1 277	863	*254*	*204*	*141*	*263*	- 38	**4 618**
Non-life insurance (before reinsurance)	494	115	136	*48*	*28*	*60*	*0*	10	**756**
Earned premiums	1 115	281	315	*145*	*47*	*122*	*0*	10	**1 721**
Technical charges	- 621	- 166	- 179	*- 97*	*- 19*	*- 62*	*0*	0	**- 966**
Life insurance (before reinsurance)	- 95	54	36	*8*	*12*	*16*	*0*	0	**- 6**
Earned premiums	1 000	228	95	*17*	*43*	*36*	*0*	0	**1 323**
Technical charges	- 1 095	- 174	- 60	*- 9*	*- 30*	*- 21*	*0*	0	**- 1 329**
Ceded reinsurance result	- 2	- 5	- 8	*- 2*	*- 2*	*- 5*	*0*	- 9	**- 25**
Dividend income	78	1	0	*0*	*0*	*0*	*0*	3	**82**
Net result from financial instruments at fair value through profit or loss	177	- 85	48	*33*	*4*	*15*	*- 4*	41	**181**
Net realised result from debt instruments at fair value through OCI	4	0	2	*1*	*1*	*0*	*0*	0	**6**
Net fee and commission income	1 182	254	301	*215*	*65*	*24*	*- 2*	- 3	**1 734**
Net other income	187	102	- 11	*2*	*9*	*1*	*- 23*	3	**282**
TOTAL INCOME	4 542	1 714	1 367	*558*	*322*	*252*	*235*	6	**7 629**
Operating expenses	- 2 485	- 770	- 932	*- 353*	*- 211*	*- 139*	*- 229*	- 116	**- 4 303**
Impairment	- 244	- 17	12	*- 1*	*- 11*	*- 9*	*33*	32	**- 217**
of which on FA at amortised cost and at fair value through OCI	- 241	- 12	18	*1*	*- 11*	*- 5*	*33*	32	**- 203**
Share in results of associated companies and joint ventures	- 6	8	5	*0*	*0*	*0*	*0*	0	**7**
RESULT BEFORE TAX	1 807	935	452	*204*	*100*	*104*	*39*	- 78	**3 116**
Income tax expense	- 463	- 146	- 73	*- 31*	*- 21*	*- 11*	*- 10*	55	**- 627**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	1 344	789	379	*173*	*79*	*93*	*29*	- 23	**2 489**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	1 344	789	379	*173*	*79*	*93*	*29*	- 23	**2 489**

Other notes

Net interest income (note 3.1 in the annual accounts 2019)

(in millions of EUR)	2020	2019	4Q 2020	3Q 2020	4Q 2019
Total	4 467	4 618	1 067	1 122	1 182
Interest income	6 264	7 244	1 464	1 468	1 809
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	4 869	5 536	1 130	1 171	1 389
Financial assets at FVOCI	330	333	82	85	83
Hedging derivatives	377	486	92	49	107
Financial liabilities (negative interest)	222	51	87	81	14
Other	10	15	4	0	4
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	14	8	5	3	3
Financial assets held for trading	442	816	64	78	210
Of which economic hedges	*398*	*789*	*54*	*65*	*203*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-1 797	-2 626	- 397	- 346	- 627
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 707	-1 276	- 127	- 125	- 311
Financial assets (negative interest)	- 79	- 70	- 36	- 26	- 10
Hedging derivatives	- 632	- 663	- 165	- 132	- 166
Other	- 5	- 6	0	- 3	- 2
Interest expense on other financial instruments					
Financial liabilities held for trading	- 345	- 563	- 66	- 57	- 127
Of which economic hedges	*- 313*	*- 525*	*- 57*	*- 50*	*- 117*
Other financial liabilities at FVPL	- 25	- 40	- 3	- 3	- 10
Net interest expense relating to defined benefit plans	- 3	- 8	- 1	- 1	- 2

The vast majority of negative interest on financial liabilities and financial assets relates to transactions with central banks, interbank and professional counterparties as well as the TLTRO (for more information on the TLTRO III, see note ‘Financial assets and liabilities: breakdown by portfolio and product’ (note 4.1) further in this report).

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2019)

(in millions of EUR)	2020	2019	4Q 2020	3Q 2020	4Q 2019
Total	33	181	80	85	130
Breakdown by driver					
Market value adjustments (xVA)	13	1	45	55	48
MTM ALM derivatives	- 94	- 1	- 30	- 2	10
Financial instruments to which the overlay is applied	- 14	93	23	13	28
Dealing room and other	128	88	42	19	43

The result from financial instruments at fair value through profit or loss in 4Q 2020 is 5 million euros lower compared to 3Q 2020. The quarter-on-quarter decrease is due to:

- More negative MTM ALM Derivatives in 4Q 2020 compared to only slightly negative MTM ALM derivatives in 3Q 2020
- Lower market value adjustments in 4Q 2020 compared to 3Q 2020, mainly as a result of changes in the underlying market value of the derivatives portfolio (due to lower long-term interest rates, despite increasing equity markets and decreasing counterparty credit spreads & KBC funding spread)

Partly compensated by

- Higher dealing room and other income in 4Q 2020

- Higher net result on equity instruments (insurance) compared to 3Q 2020, driven by lower impairments on shares

The result from financial instruments at fair value through profit or loss in 2020 is 149 million euros lower compared to 2019. This decrease is due to:

- Much lower net result on equity instruments (insurance) compared to 2019, driven by high impairments related to a less favorable stock market evolution in 1Q 2020
- Very negative MTM ALM derivatives in 2020 compared to only slightly negative MTM ALM derivatives in 2019

Partly compensated by

- Higher dealing room and other income in 2020 compared to 2019, increase situated in the Czech Republic and more than compensating for decrease in Belgium
- More positive market value adjustments in 2020 compared to 2019

Net fee and commission income (note 3.5 in the annual accounts 2019)

(in millions of EUR)	2020	2019	4Q 2020	3Q 2020	4Q 2019
Total	1 609	1 734	403	390	445
Fee and commission income	2 365	2 476	602	575	643
Fee and commission expense	- 755	- 741	- 200	- 184	- 198
Breakdown by type					
Asset Management Services	1 002	1 088	250	245	279
Fee and commission income	1 061	1 145	266	260	295
Fee and commission expense	- 59	- 57	- 16	- 15	- 16
Banking Services	895	930	229	218	243
Fee and commission income	1 225	1 266	316	300	331
Fee and commission expense	- 330	- 336	- 87	- 81	- 87
Distribution	- 288	- 284	- 77	- 73	- 77
Fee and commission income	78	64	20	15	17
Fee and commission expense	- 366	- 348	- 97	- 88	- 95

Net other income (note 3.6 in the annual accounts 2019)

(in millions of EUR)	2020	2019	4Q 2020	3Q 2020	4Q 2019
Total	176	282	37	37	47
of which gains or losses on					
Sale of financial assets measured at amortised cost	11	14	1	1	4
Repurchase of financial liabilities measured at amortised cost	0	9	0	0	0
of which other, including:	165	259	37	36	44
Income from (mainly operational) leasing activities, KBC Lease Group	76	72	18	20	16
Income from VAB Group	49	41	12	12	8
One-off effect revaluation of 55% share in CMSS	0	82	0	0	0
Settlement of legacy legal cases	0	9	0	0	0
Provisioning for tracker mortgage review	- 9	- 23	- 3	- 6	- 1

Note :

In 2020

- Provision for tracker mortgage review in KBC Bank Ireland of -9 million euros in FY2020 (of which an additional -4 million euro related to the fine).

In 2019

- 82 million euros one-off gain in Czech Republic as a result of the revaluation of KBC's 55% stake in ČMSS related to the acquisition in 2Q 2019 of the remaining 45% stake
- Provision for tracker mortgage review in KBC Bank Ireland of -23 million euros in 2019 (including the recognition of a provision for a potential fine of -14 million euros)
- Settlement of legacy legal cases concerns Czech Republic (+6 million euros) and Group Centre (+3 million euros)

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2019)

(in millions of EUR)	Life	Non-life	Non-technical account	Total
2020				
Earned premiums, insurance (before reinsurance)	1 223	1 795	-	3 019
of which change in provision unearned premiums	- 2	- 28	-	- 30
Technical charges, insurance (before reinsurance)	- 1 212	- 913	-	- 2 126
Claims paid	- 1 137	- 806	-	- 1 943
Changes in technical provisions	- 53	- 101	-	- 154
Other technical result	- 22	- 6	-	- 28
Net fee and commission income	- 17	- 346	-	- 362
Ceded reinsurance result	- 2	- 18	-	- 20
General administrative expenses	- 139	- 248	- 2	- 390
Internal claims settlement expenses	- 8	- 60	-	- 67
Indirect acquisition costs	- 30	- 68	-	- 98
Administrative expenses	- 102	- 120	-	- 222
Investment management fees	0	0	- 2	- 2
Technical result	- 148	271	- 2	121
Investment Income (*)	355	92	29	477
Technical-financial result	207	363	27	598
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	207	363	27	598
Income tax expense	-	-	-	- 132
RESULT AFTER TAX	-	-	-	466
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**466**
2019				
Earned premiums, insurance (before reinsurance)	1 324	1 741	-	3 065
of which change in provision unearned premiums	- 1	- 53	-	- 54
Technical charges, insurance (before reinsurance)	- 1 329	- 967	-	- 2 296
Claims paid	- 1 119	- 848	-	- 1 966
Changes in technical provisions	- 267	- 113	-	- 380
Other technical result	57	- 7	-	50
Net fee and commission income	- 31	- 332	-	- 363
Ceded reinsurance result	- 3	- 22	-	- 25
General administrative expenses	- 145	- 253	- 3	- 400
Internal claims settlement expenses	- 8	- 62	-	- 70
Indirect acquisition costs	- 35	- 76	-	- 110
Administrative expenses	- 102	- 116	-	- 218
Investment management fees	0	0	- 3	- 3
Technical result	- 183	167	- 3	- 19
Investment Income (*)	492	87	25	604
Technical-financial result	309	254	22	585
Share in results of associated companies and joint ventures	-	-	4	4
RESULT BEFORE TAX	309	254	26	589
Income tax expense	-	-	-	- 127
RESULT AFTER TAX	-	-	-	462
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**462**

(*)2020 consists of (in millions of EUR): Net interest income (450), Net Dividend income (34), Net result from financial instruments at fair value through profit and loss (1), Net other income (8) and Impairment (-15).

2019 consists of (in millions of EUR): Net interest income (460), Net Dividend income (47), Net result from financial instruments at fair value through profit and loss (103), Net other income (-3) and Impairment (-3).

The non-technical account includes also results of non-insurance companies such as VAB group and ADD.

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2019 annual accounts).

In 2020 the technical result non-life was positively impacted by low claim level largely as a result of the lockdown in 2Q 2020 (and to a lesser extent in 4Q 2020), partially offset by storms (in mainly Belgium) for a total amount of -43 million euros (pre-tax, before reinsurance).

In 2019 the technical result non-life was negatively impacted by:

- Storms in Belgium and Czech Republic (before tax and before reinsurance) for an amount of -48 million euros.
- Large fire claims in 2019 in Belgium of -46 million euros (before tax, before reinsurance).

Operating expenses – income statement (note 3.8 in the annual accounts 2019)

The operating expenses for 4Q 2020 include 49 million euros related to bank (and insurance) levies (21 million euros in 3Q 2020; -51 million euros in 4Q 2019; 503 million euros in 2020; 491 million euros in 2019). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

Impairment – income statement (note 3.10 in the annual accounts 2019)

(in millions of EUR)	2020	2019	4Q 2020	3Q 2020	4Q 2019
Total	**- 1 182**	**- 217**	**- 122**	**- 63**	**- 82**
Impairment on financial assets at AC and at FVOCI	- 1 074	- 203	- 57	- 52	- 75
Of which impairment on financial assets at AC	- 1 069	- 204	- 57	- 51	- 75
By product					
Loans and advances	- 1 067	- 182	- 70	- 49	- 68
Debt securities	0	- 1	1	- 1	0
Off-balance-sheet commitments and financial guarantees	- 2	- 21	13	- 1	- 7
By type					
Stage 1 (12-month ECL)	- 44	- 20	20	- 4	5
Stage 2 (lifetime ECL)	- 724	48	- 22	- 38	37
Stage 3 (non-performing; lifetime ECL)	- 302	- 237	- 56	- 11	- 118
Purchased or originated credit impaired assets	1	6	2	2	1
Of which impairment on financial assets at FVOCI	- 5	1	0	- 1	0
Debt securities	- 5	1	0	- 1	0
Stage 1 (12-month ECL)	- 2	0	0	- 1	0
Stage 2 (lifetime ECL)	- 2	1	0	1	0
Stage 3 (non-performing; lifetime ECL)	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 108	- 14	- 66	- 11	- 7
Intangible fixed assets (other than goodwill)	- 64	- 6	- 59	- 3	- 3
Property, plant and equipment (including investment property)	- 9	- 3	- 4	- 4	- 2
Associated companies and joint ventures	0	0	0	0	0
Other	- 35	- 5	- 2	- 4	- 3

The impairments on financial assets at AC in 2020 include -783 million euros collective Covid-19 ECL (of which -43 million euros in 1Q 2020, -746 million euros in 2Q 2020, +5 million euros in 3Q 2020 and +1 million euros in 4Q 2020). For more information, see note 1.4 of this report.

The stage 3 impairments in 2020 and 2019 are attributable mainly to loan loss impairments in Belgium, Czech Republic and Hungary due to a number of corporate files.

4Q 2020 includes -59 million euros impairments on software related to software projects which were (partly) decommissioned (of which -28 million euros in Belgium, -6 million euros in Czech Republic, -5 million euros in Hungary, -2 million euros in Slovakia and -18 million euros in Group Centre).

The impairment on other (Other) include -29 million euros in 2020 (respectively -18, -9 and -2 million euros in 1Q, 2Q and 4Q 2020) related to modification losses in Belgium, Czech Republic and Hungary (for more information, see COVID-19 (note 1.4)). Additionally, 3Q 2020 included the result of an impairment on a lease contract related to a headquarter building in Hungary for -4 million euros.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2019)

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO	Hedging deriva-tives	Total
FINANCIAL ASSETS, 31-12-2020								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 343	0	0	0	0	0	0	**6 343**
of which repayable on demand and term loans at not more than three months								***1 393***
Loans and advances to customers (excl. reverse repos)	159 234	0	387	0	0	0	0	**159 621**
Trade receivables	1 686	0	0	0	0	0	0	**1 686**
Consumer credit	5 476	0	273	0	0	0	0	**5 749**
Mortgage loans	71 841	0	109	0	0	0	0	**71 950**
Term loans	69 477	0	5	0	0	0	0	**69 482**
Finance lease	5 747	0	0	0	0	0	0	**5 747**
Current account advances	4 285	0	0	0	0	0	0	**4 285**
Other	722	0	0	0	0	0	0	**722**
Reverse repos	27 628	0	0	0	0	0	0	**27 628**
with credit institutions and investment firms	27 444	0	0	0	0	0	0	**27 444**
with customers	184	0	0	0	0	0	0	**184**
Equity instruments	0	294	7	1 276	489	0	0	**2 067**
Investment contracts (insurance)	0	0	13 830	0	0	0	0	**13 830**
Debt securities issued by	48 965	18 157	53	0	2 542	0	0	**69 717**
Public bodies	42 432	12 301	0	0	2 479	0	0	**57 212**
Credit institutions and investment firms	3 902	2 569	0	0	19	0	0	**6 490**
Corporates	2 631	3 286	53	0	45	0	0	**6 014**
Derivatives	0	0	0	0	5 659	0	160	**5 818**
Other	1 358	0	0	0	4	0	0	**1 361**
Total	243 527	18 451	14 277	1 276	8 695	0	160	**286 386**
FINANCIAL ASSETS, 31-12-2019								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 398	0	0	0	1	0	0	**5 399**
of which repayable on demand and term loans at not more than three months								**468**
Loans and advances to customers (excl. reverse repos)	155 598	0	218	0	0	0	0	**155 816**
Trade receivables	1 885	0	0	0	0	0	0	**1 885**
Consumer credit	5 383	0	122	0	0	0	0	**5 505**
Mortgage loans	67 711	0	85	0	0	0	0	**67 796**
Term loans	68 867	0	10	0	0	0	0	**68 877**
Finance lease	5 926	0	0	0	0	0	0	**5 926**
Current account advances	4 979	0	0	0	0	0	0	**4 979**
Other	847	0	0	0	0	0	0	**847**
Reverse repos	25 596	0	0	0	0	0	0	**25 596**
with credit institutions and investment firms	25 445	0	0	0	0	0	0	**25 445**
with customers	151	0	0	0	0	0	0	**151**
Equity instruments	0	249	7	1 431	833	0	0	**2 519**
Investment contracts (insurance)	0	0	14 584	0	0	0	0	**14 584**
Debt securities issued by	42 998	18 788	58	0	1 269	0	0	**63 114**
Public bodies	37 024	12 370	0	0	1 149	0	0	**50 542**
Credit institutions and investment firms	3 632	2 753	0	0	20	0	0	**6 405**
Corporates	2 343	3 666	58	0	99	0	0	**6 167**
Derivatives	0	0	0	0	5 163	0	158	**5 322**
Other	1 049	0	0	0	0	0	0	**1 049**
Total	230 639	19 037	14 867	1 431	7 266	0	158	**273 399**

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-12-2020					
Deposits from credit institutions and investment firms (excl. repos)	34 605	0	0	0	**34 605**
of which repayable on demand					**4 604**
Deposits from customers and debt securities (excl. repos)	213 801	101	1 528	0	**215 430**
Demand deposits	100 986	0	0	0	**100 986**
Time deposits	11 768	16	117	0	**11 902**
Savings accounts	74 862	0	0	0	**74 862**
Special deposits	2 543	0	0	0	**2 543**
Other deposits	260	0	0	0	**260**
Certificates of deposit	5 412	0	5	0	**5 417**
Savings certificates	454	0	0	0	**454**
Non-convertible bonds	15 319	85	1 264	0	**16 668**
Non-convertible subordinated liabilities	2 196	0	142	0	**2 338**
Repos	3 570	0	0	0	**3 570**
with credit institutions and investment firms	3 288	0	0	0	**3 288**
with customers	282	0	0	0	**282**
Liabilities under investment contracts	0	0	12 724	0	**12 724**
Derivatives	0	5 362	0	1 319	**6 681**
Short positions	0	1 694	0	0	**1 694**
In equity instruments	0	12	0	0	**12**
In debt securities	0	1 682	0	0	**1 682**
Other	2 077	0	0	0	**2 077**
Total	254 053	7 157	14 252	1 319	**276 781**
FINANCIAL LIABILITIES, 31-12-2019					
Deposits from credit institutions and investment firms (excl. repos)	18 731	0	0	0	**18 731**
of which repayable on demand					**4 669**
Deposits from customers and debt securities (excl. repos)	200 607	223	2 539	0	**203 369**
Demand deposits	85 626	0	0	0	**85 626**
Time deposits	15 271	39	184	0	**15 494**
Savings accounts	69 057	0	0	0	**69 057**
Special deposits	2 465	0	0	0	**2 465**
Other deposits	542	0	0	0	**542**
Certificates of deposit	10 538	0	8	0	**10 546**
Savings certificates	1 025	0	0	0	**1 025**
Non-convertible bonds	13 756	183	2 200	0	**16 139**
Non-convertible subordinated liabilities	2 327	0	147	0	**2 474**
Repos	2 565	0	0	0	**2 565**
with credit institutions and investment firms	2 262	0	0	0	**2 262**
with customers	302	0	0	0	**303**
Liabilities under investment contracts	0	0	13 610	0	**13 610**
Derivatives	0	5 057	0	1 171	**6 227**
Short positions	0	1 708	0	0	**1 708**
In equity instruments	0	14	0	0	**14**
In debt securities	0	1 693	0	0	**1 693**
Other	2 190	0	0	0	**2 190**
Total	224 093	6 988	16 149	1 171	**248 400**

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme (in 2019, 6.5 billion euros TLTRO II was repaid and 2.5 billion euros TLTRO III was drawn, further increased by 19.5 billion euros in the second quarter of 2020, totalling 22 billion euros for TLTRO III). KBC applies the effective interest rate principle to these deposits, changing it when we would no longer meet the terms (similar to a floating rate instrument) in accordance with IFRS 9 (Section B.5.4.5). KBC's management is confident that KBC will meet the related conditions (amongst others the level of lending to non-financial corporates and households) and therefore interest was recognised accordingly.

The balance sheet at 31 December 2020 contains figures of OTP Banka Slovensko (Slovakia), of which 99.44% ownership was acquired by KBC Bank NV on 26 November 2020, resulting in full consolidation on the balance sheet. For more information see note ‘Main changes in the scope of consolidation’ (note 6.6) further in this report.

Impaired financial assets (note 4.2.1 in the annual accounts 2019)

(in millions of EUR)	31-12-2020			31-12-2019		
	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances (*)	196 900	- 3 695	193 205	189 446	- 2 855	186 592
Stage 1 (12-month ECL)	172 059	- 168	171 891	165 326	- 131	165 195
Stage 2 (lifetime ECL)	19 423	- 992	18 431	18 558	- 254	18 304
Stage 3 (lifetime ECL)	5 278	- 2 517	2 761	5 381	- 2 444	2 937
Purchased or originated credit impaired assets (POCI)	139	- 18	121	182	- 26	155
Debt Securities	48 974	- 9	48 965	43 010	- 12	42 998
Stage 1 (12-month ECL)	48 935	- 6	48 929	42 934	- 5	42 930
Stage 2 (lifetime ECL)	36	- 1	35	69	- 2	67
Stage 3 (lifetime ECL)	3	- 2	1	7	- 6	1
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	18 166	- 9	18 157	18 793	- 5	18 788
Stage 1 (12-month ECL)	18 028	- 6	18 022	18 771	- 4	18 767
Stage 2 (lifetime ECL)	138	- 3	135	22	- 1	22
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

(*) The carrying value after impairment in this note is equal to the sum of the lines Loans and advances to credit institutions and investment firms (excl. reverse repos), Loans and advances to customers (excl. reverse repos) and Reverse repos in note 4.1 (in the column Measured at amortised cost)

The table does not include the stage transfers embedded underlying in the management overlay of the forecasted collective Covid-19 ECL, as these are determined based on a collective statistical approach and hence cannot be individually linked to specific credits. Taking into account the impact of the management overlay on staging would result in a carrying value before impairment of loans and advances of approximately respectively 164.4, 25.7 and 6.6 billion euros in stage 1,2 and 3 (or a net staging of 4% of the total portfolio from stage 1 to stage 2 and of 1% from stage 1 & 2 to stage 3). For more information see note 1.4 in this report.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2019)

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 2019.

(in millions of EUR)	31-12-2020				31-12-2019			
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	14 722	344	487	15 553	15 536	441	320	16 298
Held for trading	2 647	5 081	967	8 695	1 685	4 381	1 200	7 266
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	14 513	3 364	575	18 451	14 945	3 630	463	19 037
Hedging derivatives	0	160	0	160	0	158	0	158
Total	31 881	8 948	2 030	42 859	32 166	8 611	1 982	42 759
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 697	4 270	1 191	7 157	1 708	3 259	2 021	6 988
Designated at fair value	12 724	377	1 151	14 252	13 610	657	1 883	16 149
Hedging derivatives	0	1 319	0	1 319	0	1 171	0	1 171
Total	14 420	5 966	2 342	22 728	15 317	5 087	3 903	24 308

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2019)

During 2020, KBC transferred about 155 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 256 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2019)

In 2020 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets measured at fair value through profit and loss: the fair value of loans and advances increased by 169 million euros, mostly due to new transactions, partially compensated by changes in fair value
- Financial assets held for trading: the fair value of derivatives decreased by 244 million euros, primarily due to instruments that had reached maturity, only partly offset by new transactions. The fair value of debt securities rose by 12 million euros due to new acquisitions
- Financial assets measured at fair value through OCI: the fair value of debt securities increased by 104 million euros, mainly due to new positions and transfers into level 3.
- Financial liabilities held for trading: the fair value of derivatives decreased by 731 million euros, mainly due to a combination of sales of existing positions, instruments that had reached maturity and changes in fair value, partially offset by new transactions. The fair value of debt securities issued also decreased by 99 million euros, primarily due to instruments that reached maturity
- Financial liabilities designated at fair value: the fair value of debt securities issued decreased by 732 million euros, due to a combination of repurchases of existing positions, settlements, and changes in fair value, partially offset by new issues.

Provisions for risks and charges (note 5.7 in the annual accounts 2019)

On 6 October 2011, Irving H. Picard, trustee for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a wholly-owned subsidiary of KBC Bank) before the bankruptcy court in New York to recover (claw-back) approximately USD 110,000,000 which had been transferred from Madoff (via a feeder fund KBC had lent to called Harley) to KBC entities. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors ("joint defense group").

A lengthy litigation process was conducted on the basis of preliminary objections in respect of the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees (as is the case for KBC Investments Ltd), as detailed in previous disclosures. In June 2015 the trustee amended the original claim which led to an increase of the amount claimed to USD 196,000,000.

A final court ruling dismissing the claim of the Trustee was issued on 3 March 2017. The Trustee appealed and the Court of Appeal reversed the dismissal on 28 February 2019. A petition (i.e. writ of Certioriari) filed on 30 August 2019 was denied by the U.S. Supreme Court on 2 June 2020. As a consequence the merits of the case will be handled by the Bankruptcy Court.

KBC still believes there is a strong basis to get the action against KBC dismissed as there are a number of other defenses that can be raised together with the joint defense group. The procedure may still take several years.

Parent shareholders’ equity and AT1 instruments (note 5.10 in the annual accounts 2019)

Quantities	31-12-2020	31-12-2019
Ordinary shares	**416 694 558**	**416 394 642**
of which ordinary shares that entitle the holder to a dividend payment	*416 694 558*	*416 394 642*
of which treasury shares	*20 795*	*38 607*
Additional information		
Par value per share (in EUR)	3.51	3.51
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 almost fully relate to positions in shares of KBC Group to hedge outstanding equity derivatives.

In December 2020 the number of KBC Group NV shares went up by 299 916 to 416 694 558 (in December 2019 by 238 966 to 416 394 642), due to new shares being issued following the yearly capital increases reserved for staff.

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2019)

In 2020 :

On 29 May 2020, KBC Insurance and Nova Ljubljanska banka (‘NLB’) closed the transaction announced on 27 December 2019 to sell, in a joint process, their respective stakes in the Slovenian 50/50 life insurance joint venture **NLB Vita**.

The transaction had a negligible impact on KBC Group’s P&L and capital ratio.

On 26 November 2020, we completed the acquisition of 99.44% of **OTP Banka Slovensko** for EUR 64 million, without any contingent consideration:

- The impact is included in the consolidated balance sheet figures in this report. The results of OTP Banka Slovensko will only be fully consolidated in each line of the income statement from 1 January 2021.
- KBC did not recognise any goodwill or badwill in its consolidated financial statements at the end of 2020 as the acquisition price was close to OTP's equity (taking into account specific negative fair value adjustments identified by KBC during the due diligence process). If needed, IFRS 3 (Business Combinations) requires to adjust the goodwill amount during the 12-month period from the acquisition date. Therefore, the goodwill amount is temporary and subject to change (mainly related to fair value adjustments on the loan portfolio, which will be further screened in the coming months).
- The acquisition had a limited impact on KBC's capital position (-0.2% on common equity ratio).

In 2019 :

On 31 May 2019, ČSOB has acquired the remaining 45% stake in **ČMSS** from Bausparkasse Schwäbisch Hall (BSH) for a total consideration of 240 million euros. As a result, ČMSS is as of 1 June 2019 fully consolidated (previously equity method).

The table below sets out the fair values of the main assets and liabilities included in the acquisition of OTP Banka Slovensko in 2020 and ČMSS in 2019:

in millions of EUR	31/12/2019	31/12/2020
Purchase or sale	Purchase	Purchase
Percentage of shares bought (+) or sold (-) in the relevant year	ČMSS 45%	OTP Banka Slovenska 99,44%
Total share percentage at the end of the relevant year	100%	99,44%
For business unit/segment	Czech Republic	Slovakia
Deal date (month and year)	May 2019	November 2020
Incorporation of the result of the company in the result of the group as of:	01-06-2019	01-01-2021
Purchase price	240	64
Cashflow for acquiring or selling companies less cash and cash equivalents acquired	439	107
Recognised amounts of identifiable assets acquired and liabilities assumed - provisional fair value at:	31/05/2019	31/12/2020
Cash and cash balances with central banks	729	171
Financial assets	4 959	1 179
Amortised cost	4 855	1 176
Fair value through OCI	103	2
Hedging derivatives	0	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	15	0
Tax assets	4	16
Property and equipment	20	12
Goodwill and other intangible assets	39	0
Other assets	7	2
of which: cash and cash equivalents (included in the assets above)	*729*	*171*
Financial liabilities	5 384	1 048
Measured at amortised cost	5 362	1 048
Hedging derivatives	22	0
Tax liabilities	10	
Provisions for risks and charges	1	5
Other liabilities	33	21
of which: cash and cash equivalents (included in the liabilities above)	*50*	*0*

Post-balance sheet events (note 6.8 in the annual accounts 2019)

Significant non-adjusting events between the balance sheet date (31 December 2020) and the publication of this report (11 February 2021): None

KBC Group

Additional Information 4Q 2020 and FY 2020

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit and standby credit 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 'How do we manage our risks (in the annual accounts 2019)'.

Credit risk: loan portfolio overview	31-12-2020	31-12-2019
Total loan portfolio (in billions of EUR) [1]		
Amount outstanding and undrawn	225	218
Amount outstanding	181	175
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)		
Belgium	64.0%	64.1%
Czech Republic	17.6%	18.4%
International Markets	16.6%	15.6%
Group Centre	1.8%	2.0%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)		
Private individuals	43.0%	41.7%
Finance and insurance	8.0%	7.6%
Governments	2.9%	2.9%
Corporates	46.1%	47.7%
Services	10.8%	10.9%
Distribution	6.9%	7.3%
Real estate	6.3%	6.4%
Building & construction	3.9%	3.9%
Agriculture, farming, fishing	2.7%	2.7%
Automotive	2.5%	2.6%
Food producers	1.8%	1.7%
Electricity	1.6%	1.6%
Chemicals	1.4%	1.3%
Metals	1.4%	1.4%
Machinery & heavy equipment	0.9%	1.0%
Hotels, bars & restaurants	0.7%	0.7%
Shipping	0.6%	0.8%
Oil, gas & other fuels	0.5%	0.6%
Traders	0.5%	0.6%
Electrotechnics	0.5%	0.5%
Other [2]	3.3%	3.6%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)		
Home countries	86.7%	86.4%
Belgium	53.2%	52.9%
Czech Republic	16.6%	17.6%
Ireland	5.8%	5.9%
Slovakia	5.7%	4.9%
Hungary	3.3%	3.1%
Bulgaria	2.1%	2.0%
Rest of Western Europe	8.9%	8.6%
Rest of Central and Eastern Europe	0.2%	0.4%
North America	1.4%	1.5%
Asia	1.2%	1.5%
Other	1.6%	1.6%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)		
Retail	42.9%	41.7%
of which: mortgages	39.7%	38.5%
of which: consumer finance	3.2%	3.2%
SME	21.6%	21.8%
Corporate	35.4%	36.5%

	31-12-2020	31-12-2019
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)		
Stage 1 (credit risk has not increased significantly since initial recognition)	85.2%	85.2%
of which: PD 1 - 4	62.5%	62.7%
of which: PD 5 - 9 including unrated	22.7%	22.6%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	11.5%	11.3%
of which: PD 1 - 4	3.6%	3.4%
of which: PD 5 - 9 including unrated	7.9%	7.9%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	3.3%	3.5%
of which: PD 10 impaired loans	1.5%	1.6%
of which: more than 90 days past due (PD 11+12)	1.8%	1.9%
Impaired loan portfolio (in millions of EUR)		
Impaired loans (PD10 + 11 + 12)	5 902	6 160
of which: more than 90 days past due	3 220	3 401
Impaired loans ratio (%)		
Belgium	2.3%	2.4%
Czech Republic	2.3%	2.3%
International Markets	6.9%	8.5%
Group Centre	13.9%	12.4%
Total	3.3%	3.5%
of which: more than 90 days past due	1.8%	1.9%
Loan loss impairment (in millions of EUR)		
Loan loss Impairment for Stage 1 portfolio	191	144
Loan loss Impairment for Stage 2 portfolio	998	265
Loan loss Impairment for Stage 3 portfolio	2 638	2 584
of which: more than 90 days past due	2 044	2 050
Cover ratio of impaired loans (%)		
Loan loss impairments for stage 3 portfolio / impaired loans	44.7%	42.0%
of which: more than 90 days past due	63.5%	60.3%
Cover ratio of impaired loans, mortgage loans excluded (%)		
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	52.3%	49.7%
of which: more than 90 days past due	74.8%	71.7%
Credit cost ratio (%)		
Belgium	0.57%	0.22%
Czech Republic	0.67%	0.04%
International Markets	0.78%	-0.07%
Slovakia	0.50%	0.14%
Hungary	1.05%	-0.02%
Bulgaria	0.73%	0.14%
Ireland	0.88%	-0.32%
Group Centre	-0.23%	-0.88%
Total	0.60%	0.12%

[1] Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; the amounts are measured in Gross Carrying Amounts;
[2] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors
[3] Purchased or originated credit impaired assets

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2019 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Since 1Q18 a switch has been made in the reported 'outstanding' figures from drawn principal to the new IFRS 9 definition of gross carrying amount (GCA), i.e. including reserved and accrued interests. The additional inclusion of reserved interests led, among others, to an increase in the reported amount of impaired loans. Furthermore, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

Loan portfolio per business unit (banking activities)

Legend:

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

  Cover ratio impaired loans: stage 3 impairments / impaired loans

Loan portfolio Business Unit Belgium 31-12-2020, in millions of EUR	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**109 281**			**6 559**			**115 840**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	39 493	36,1%		0	0,0%		39 493	34,1%	
o/w mortgages	37 853	34,6%		0	0,0%		37 853	32,7%	
o/w consumer finance	1 640	1,5%		0	0,0%		1 640	1,4%	
SME	32 050	29,3%		0	0,0%		32 050	27,7%	
corporate	37 737	34,5%		6 559	100,0%		44 296	38,2%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	37 853	34,6%	56%	0	0,0%	-	37 853	32,7%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	427	0,4%	-	0	0,0%	-	427	0,4%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	84 832	77,6%		3 445	52,5%		88 277	76,2%	
medium risk (PD 5-7; 0.80%-6.40%)	18 580	17,0%		2 725	41,5%		21 305	18,4%	
high risk (PD 8-9; 6.40%-100.00%)	3 263	3,0%		148	2,3%		3 412	2,9%	
impaired loans (PD 10 - 12)	2 422	2,2%		236	3,6%		2 658	2,3%	
unrated	185	0,2%		5	0,1%		189	0,2%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 422	1 075	44,4%	236	137	58,1%	2 658	1 212	45,6%
o/w PD 10 impaired loans	1 218	276	22,7%	147	53	35,8%	1 365	329	24,1%
o/w more than 90 days past due (PD 11+12)	1 204	798	66,3%	89	84	95,0%	1 293	883	68,3%
all impairments (stage 1+2+3)	1 672			175			1 847		
o/w stage 1+2 impairments (incl. POCI)	597			38			635		
o/w stage 3 impairments (incl. POCI)	1 075			137			1 212		
2019 Credit cost ratio (CCR)	0,20%			0,41%			0,22%		
2020 Credit cost ratio (CCR)	0,55%			0,83%			0,57%		

Remarks

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

Loan portfolio Business Unit Czech Republic

31-12-2020, in millions of EUR

Total portfolio outstanding	**31 806**		
Counterparty break down		% outst.	
retail	18 746	58,9%	
o/w mortgages	16 550	52,0%	
o/w consumer finance	2 195	6,9%	
SME	4 714	14,8%	
corporate	8 346	26,2%	
Mortgage loans		% outst.	ind. LTV
total	16 550	52,0%	60%
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	88	0,3%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	18 097	56,9%	
medium risk (PD 5-7; 0.80%-6.40%)	11 745	36,9%	
high risk (PD 8-9; 6.40%-100.00%)	1 237	3,9%	
impaired loans (PD 10 - 12)	721	2,3%	
unrated	7	0,0%	
Overall risk indicators [1]		stage 3 imp.	% cover
outstanding impaired loans	721	351	48,7%
o/w PD 10 impaired loans	404	128	31,8%
o/w more than 90 days past due (PD 11+12)	317	223	70,1%
all impairments (stage 1+2+3)	618		
o/w stage 1+2 impairments (incl. POCI)	267		
o/w stage 3 impairments (incl. POCI)	351		
2019 Credit cost ratio (CCR)	0,04%		
2020 Credit cost ratio (CCR)	0,67%		

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets
31-12-2020, in millions of EUR

	Ireland			Slovakia[2]			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 343**			**9 916**			**5 858**			**3 896**			**30 013**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
retail	10 262	99,2%		5 454	55,0%		2 192	37,4%		1 505	38,6%		19 413	64,7%	
o/w mortgages	10 199	98,6%		4 792	48,3%		1 646	28,1%		802	20,6%		17 438	58,1%	
o/w consumer finance	63	0,6%		662	6,7%		546	9,3%		703	18,0%		1 975	6,6%	
SME	64	0,6%		1 045	10,5%		146	2,5%		1 105	28,4%		2 360	7,9%	
corporate	17	0,2%		3 418	34,5%		3 520	60,1%		1 285	33,0%		8 241	27,5%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	10 199	98,6%	67%	4 792	48,3%	66%	1 646	28,1%	53%	802	20,6%	63%	17 438	58,1%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	3	0,1%	85%	77	2,0%	65%	80	0,3%	
o/w ind. LTV > 100%	672	6,5%	-	38	0,4%	-	83	1,4%	-	26	0,7%	-	819	2,7%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	1 057	10,2%		5 640	56,9%		2 875	49,1%		998	25,6%		10 570	35,2%	
medium risk (PD 5-7; 0.80%-6.40%)	7 019	67,9%		2 307	23,3%		2 660	45,4%		2 324	59,6%		14 309	47,7%	
high risk (PD 8-9; 6.40%-100.00%)	834	8,1%		555	5,6%		208	3,6%		273	7,0%		1 870	6,2%	
impaired loans (PD 10 - 12)	1 433	13,9%		227	2,3%		114	1,9%		301	7,7%		2 075	6,9%	
unrated	0	0,0%		1 188	12,0%		1	0,0%		0	0,0%		1 189	4,0%	
Overall risk indicators[1]		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	1 433	375	26,2%	227	160	70,6%	114	57	50,1%	301	121	40,3%	2 075	714	34,4%
o/w PD 10 impaired loans	650	76	11,7%	51	19	36,8%	43	13	31,0%	73	9	12,7%	817	118	14,4%
o/w more than 90 days past due (PD 11+12)	782	299	38,2%	176	142	80,5%	72	44	61,5%	228	112	49,2%	1 258	597	47,4%
all impairments (stage 1+2+3)	452			264			133			151			1 000		
o/w stage 1+2 impairments (incl. POCI)	77			103			76			30			286		
o/w stage 3 impairments (incl. POCI)	375			160			57			121			714		
2019 Credit cost ratio (CCR)	-0,32%			0,14%			-0,02%			0,14%			-0,07%		
2020 Credit cost ratio (CCR)	0,88%			0,50%			1,05%			0,73%			0,78%		

Remarks

[1] CCR at country level in local currency

[2] Including portfolio outstanding of OTP SK amounting to 1 238 million euros (63.8% retail, 4.6% SME and 31.6% corporate)

Loan portfolio Group Centre [1]
31-12-2020, in millions of EUR

Total portfolio outstanding	**3 232**		
Counterparty break down		% outst.	
retail	0	0,0%	
o/w mortgages	0	0,0%	
o/w consumer finance	0	0,0%	
SME	0	0,0%	
corporate	3 232	100,0%	
Mortgage loans		% outst.	ind. LTV
total	0	0,0%	-
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	0	0,0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 672	82,7%	
medium risk (PD 5-7; 0.80%-6.40%)	112	3,5%	
high risk (PD 8-9; 6.40%-100.00%)	0	0,0%	
impaired loans (PD 10 - 12)	448	13,9%	
unrated	0	0,0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	448	361	80,6%
o/w PD 10 impaired loans	96	19	19,3%
o/w more than 90 days past due (PD 11+12)	352	342	97,2%
all impairments (stage 1+2+3)	362		
o/w stage 1+2 impairments (incl. POCI)	1		
o/w stage 3 impairments (incl. POCI)	361		
2019 Credit cost ratio (CCR)	-0,88%		
2020 Credit cost ratio (CCR)	-0,23%		

Remarks

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

Solvency

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

Solvency KBC Group

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD IV. This regulation entered gradually into force on 1 January 2014. The general rule under CRR/CRD IV for insurance participations is that an insurance participation is deducted from common equity at group level, unless the competent authority grants permission to apply a risk weighting instead (Danish compromise). As of the fourth quarter 2020, the revised CRR/CRD requires to use the equity method, unless the competent authority allows institutions to apply a different method. KBC Group has received ECB approval to continue to risk weight the historical carrying value (a historical carrying value of 2 469 million euros), after having deconsolidated KBC Insurance from the group figures.

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 92% of the weighted credit risks, of which approx. 88% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 10.45% (fully loaded, Danish Compromise which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% Systemic Buffer and 0.20% Countercyclical Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

ECB temporarily allows banks to operate below the P2G and Capital Conservation Buffer and hence to use these buffers to withstand potential stress. This temporarily brings the regulatory minimum to 7.95% (being 10.45% minus 2.5%). ECB does not have any discretion to waive the application of automatic restrictions to distributions (MDA) as they are set out in the CRR/CRD package. Therefore, the capital conservation buffer remains included in the threshold for MDA.

In the context of the coronavirus pandemic, the EU has amended the CRR, applicable as from 27 June 2020 (so-called 'CRR quick fix'). It includes various relief measures to ensure that institutions are able to provide sufficient support to the households and corporate borrowers and thus mitigate the economic shock caused by the pandemic. For KBC, the main measures relate to the SME supporting factor (favourable risk weight of exposures to SMEs, applied as from the second quarter of 2020), the prudential treatment of software (prudently valued software is risk weighted at 100% instead of deducted from own funds, applied as from the fourth quarter of 2020) and IFRS 9 transitional measures (applied as from the second quarter of 2020). These transitional measures allow to add back a portion of the increased impairments to the common equity capital (CET1), during a transitional period of 5 years when provisions unexpectedly rise due to a worsening in macroeconomic outlook. Initially, the 5 years transition period has been set from 1 January 2018 to 31 December 2022. In the context of the coronavirus pandemic and following a BCBS statement to offer regulatory relief, the transition period will be extended with 2 years until 31 December 2024.

Distributions (being dividend payments, payments related to additional tier 1 instruments or variable remuneration) are limited in case the combined buffer requirements described above are breached. This limitation is also referred to as "Maximum Distributable Amount" or "MDA" thresholds.

The table below provides an overview of the buffers KBC Group has compared to these thresholds, both on an actuals basis (i.e. versus the regulatory targets that apply at the reporting date) and a fully loaded basis (i.e. versus the regulatory targets that will apply going forward).

Buffer vs. Overall Capital Requirement (in millions of EUR)	2020		2019	
(consolidated, under CRR, Danish compromise method)	Fully loaded	Actuals	Fully loaded	Actuals
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement	1.75%	1.75%	1.75%	1.75%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Entity-specific countercyclical buffer	0.20%	0.16%	0.30%	0.43%
Overall Capital Requirement (OCR)	**10.45%**	**10.41%**	**10.55%**	**10.68%**
CET1 used to satisfy shortfall in AT1 bucket (*)	0.03%	0.03%	0.00%	0.00%
CET1 used to satisfy shortfall in T2 bucket (*)	-0.13%	0.12%	0.05%	0.05%
CET1 requirement (MDA)	**10.35%**	**10.56%**	**10.60%**	**10.74%**
CET1 capital	17 948	18 441	16 989	16 989
CET1 buffer (= buffer to MDA)	7 382	7 691	6 486	6 353

(*) A negative figure relates to a surplus above the pillar 1 bucket for these instruments, which is available to partly satisfy the pillar 2 requirement.

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

Overview of KBC Group's capital ratios (in millions of EUR) 31-12-2020		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
Common Equity ratio				
Danish Compromise	Fully loaded	17 948	102 111	17.58%
Deduction Method	Fully loaded	17 282	97 481	17.73%
Financial Conglomerates Directive	Fully loaded	18 843	114 783	16.42%
Danish Compromise	Transitional	18 441	101 843	18.11%
Deduction Method	Transitional	17 775	97 214	18.28%
Financial Conglomerates Directive	Transitional	19 336	114 515	16.89%

KBC's fully loaded CET1 ratio of 17.58% at FY 2020 represents a solid capital buffer:

- 9.63% capital buffer compared with the current theoretical minimum capital requirement of 7.95% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
- 7.13% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45% (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
- 7.23% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.35%

Danish Compromise

In millions of EUR	31-12-2020 Fully loaded	31-12-2020 Transitional	31-12-2019 Fully loaded
Total regulatory capital (after profit appropriation)	21 627	21 856	20 414
Tier-1 capital	19 448	19 941	18 489
Common equity	17 948	18 441	16 989
Parent shareholders' equity (after deconsolidating KBC Insurance)	18 688	18 688	17 790
Intangible fixed assets, incl deferred tax impact (-)	- 568	- 568	- 583
Goodwill on consolidation, incl deferred tax impact (-)	- 734	- 734	- 766
Minority interests	0	0	0
Hedging reserve (cash flow hedges) (-)	1 294	1 294	1 331
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 13	- 13	- 9
Value adjustment due to the requirements for prudent valuation (-)	- 25	- 25	- 54
Dividend payout (-)	- 183	- 183	0
Coupon of AT1 instruments (-)	- 12	- 12	- 11
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 58	- 58	- 45
Deduction re NPL backstops (-)	- 11	- 11	0
IRB provision shortfall (-)	0	0	- 140
Deferred tax assets on losses carried forward (-)	- 373	- 373	- 467
Transitional adjustments to CET1	0	493	0
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0
Additional going concern capital	1 500	1 500	1 500
CRR compliant AT1 instruments	1 500	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0
Tier 2 capital	2 178	1 914	1 925
IRB provision excess (+)	427	427	130
Transitional adjustments to T2	0	- 264	0
Subordinated liabilities	1 751	1 751	1 795
Subordinated loans non-consolidated financial sector entities (-)	0	0	0
Minority interests to be included in tier 2 capital	0	0	0
Total weighted risk volume	102 111	101 843	99 071
Banking	92 903	92 635	89 838
Insurance	9 133	9 133	9 133
Holding activities	66	66	124
Elimination of intercompany transactions	9	9	- 25
Solvency ratios			
Common equity ratio	17.58%	18.11%	17.15%
Tier-1 ratio	19.05%	19.58%	18.66%
Total capital ratio	21.18%	21.46%	20.61%

Note: for the composition of the banking RWA, see section ‘Solvency banking and insurance activities separately’ further in this memo.

In line with the ECB recommendation we apply the IFRS 9 transitional measures as of 1H 2020. The impact of transitional was limited during previous quarters as there was no interim profit recognition in CET1. At year-end 2020, the impact of the application of the transitional measures resulted in a positive impact on CET1 of 53bps compared to fully loaded.

In 2020, KBC made a change in accounting policy for intangible assets. Following the requirements of IAS 8, the change in accounting policy has been applied retrospectively (as if the new accounting policy had always been applied). Consequently, parent shareholders’ equity of 2019 has been retrospectively restated (decrease of 143 million euros), as well as intangible fixed assets, including deferred tax impact (143 million euros less deducted). There was no impact on the CET1-ratio. For more information, see Statement of compliance (note 1.1) further in this report.

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III) In millions of EUR	31-12-2020 Fully loaded	31-12-2020 Transitional	31-12-2019 Fully loaded
Tier-1 capital (Danish compromise)	19 448	19 941	18 489
Total exposures	303 069	303 696	272 885
Total Assets	320 743	320 743	290 591
Deconsolidation KBC Insurance	-32 972	-32 972	-33 243
Transitional adjustment	0	628	0
Adjustment for derivatives	-4 158	-4 158	-2 882
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 825	-1 825	-2 254
Adjustment for securities financing transaction exposures	830	830	638
Off-balance sheet exposures	20 451	20 451	20 035
Leverage ratio	6.42%	6.57%	6.78%

In 2020, KBC made a change in accounting policy for intangible assets. Following the requirements of IAS 8, the change in accounting policy has been applied retrospectively (as if the new accounting policy had always been applied). Consequently, total assets of 2019 has been retrospectively restated (decrease of goodwill and other intangible assets of 182 million euros and increase of deferred tax assets of 38 million euros) with limited impact on the leverage ratio of +1bps. For more information, see Statement of compliance (note 1.1) further in this report.

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. 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 (CRR/CRD) for KBC Bank, as well as the solvency ratio of KBC Insurance under Solvency II.

KBC BANK SOLVENCY CRR / CRD (consolidated) (in millions of EUR)	31-12-2020 Fully loaded	31-12-2020 Transitional	31-12-2019 Fully loaded
Total regulatory capital, after profit appropriation	17 792	18 021	16 660
Tier-1 capital	15 585	16 078	14 704
Common equity	14 085	14 578	13 204
Parent shareholders' equity	14 567	14 567	15 043
Solvency adjustments	- 481	12	-1 840
Additional going concern capital	1 500	1 500	1 500
Tier-2 capital	2 206	1 942	1 957
Total weighted risk volume	92 903	92 635	89 838
Credit risk	78 785	78 518	75 786
Market risk	2 716	2 716	2 713
Operation risk	11 401	11 401	11 340
Common equity ratio	15.2%	15.7%	14.7%

Note: the multiplier of HVAR and SVAR used for the calculation of market risk is equal to 3.

Solvency II, KBC Insurance consolidated (in millions of EUR)	2020	2019
Own Funds	3 868	3 496
Tier 1	3 368	2 996
IFRS Parent shareholders equity	3 815	3 422
Dividend payout	0	- 156
Deduction intangible assets and goodwill (after tax)	- 136	- 128
Valuation differences (after tax)	- 383	- 196
Volatility adjustment	89	104
Other	- 16	- 49
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 744	1 727
Market risk	1 355	1 389
Non-life	583	579
Life	735	689
Health	305	264
Counterparty	101	114
Diversification	-1 027	- 991
Other	- 308	- 316
Solvency II ratio	222%	202%

In 2020, the Solvency II ratio was positively impacted by the decision to retain the 2020 profit in line with the NBB/EIOPA recommendation.

Minimum requirement for own funds and eligible liabilities (MREL)

Besides the ECB and NBB, which supervise KBC on a going concern basis, KBC is also subject to requirements set by the Single Resolution Board (SRB). The SRB is developing resolution plans for the major banks in the euro area. The resolution plan for KBC is based on a Single Point of Entry (SPE) approach at the level of KBC Group with 'bail-in' as the primary resolution tool. MREL measures the amount of own funds and eligible liabilities that can be credibly and feasibly bailed-in.

Currently, the applicable MREL target for KBC Group is 9.67% as a percentage of TLOF under the so-called 'hybrid approach', to be achieved by 31-12-2021. This approach excludes MREL eligible liabilities that have not been issued by KBC Group NV (insofar as they do not constitute own funds) and requires tier-2 capital down streamed by KBC Group NV to KBC Insurance to be deducted from MREL (in line with the treatment under CRR/CRD).

At the end of December 2020, the transitional MREL ratio based on instruments issued by KBC Group NV following the 'hybrid approach' stands at 10.1% of TLOF versus the SRB requirement for KBC to achieve 9.67% as by year-end 2021.
The increase of the MREL as a % of TLOF (versus 9.4% at the end of September 2020), can be fully explained by the recognition of FY2020 profit, after deduction of expected dividend in own funds.

Income statement, volumes and ratios per business unit

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

Note: The ECB approved to apply the IFRS9 transitional arrangements from 2Q 2020, as such the difference between fully loaded and the transitional measures are assigned to Group Centre. In other words, the RWA, allocated capital and the ROAC of the different countries remain based on fully loaded.

Business unit Belgium (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Breakdown P&L							
Net interest income	2 579	2 516	631	673	635	640	634
Non-life insurance (before reinsurance)	562	494	127	157	167	112	160
Earned premiums	1 141	1 115	290	287	280	283	285
Technical charges	- 579	- 621	- 164	- 130	- 113	- 172	- 125
Life insurance (before reinsurance)	- 63	- 95	- 10	- 16	- 16	- 21	- 21
Earned premiums	913	1 000	298	191	208	216	282
Technical charges	- 976	- 1 095	- 308	- 206	- 224	- 237	- 303
Ceded reinsurance result	- 12	- 2	10	- 3	- 10	- 9	- 10
Dividend income	47	78	10	10	16	11	15
Net result from financial instruments at fair value through profit or loss	32	177	33	67	149	- 217	89
Net realised result from debt instruments at fair value through OCI	0	4	- 2	1	1	0	0
Net fee and commission income	1 138	1 182	287	271	271	308	307
Net other income	157	187	41	36	45	35	41
TOTAL INCOME	4 438	4 542	1 127	1 197	1 256	858	1 216
Operating expenses	- 2 398	- 2 485	- 530	- 520	- 521	- 828	- 550
Impairment	- 695	- 244	- 67	- 43	- 469	- 117	- 109
on financial assets at AC and at FVOCI	- 654	- 241	- 39	- 41	- 458	- 116	- 107
other	- 41	- 4	- 27	- 2	- 11	0	- 2
Share in results of associated companies and joint ventures	- 9	- 6	- 1	- 2	- 3	- 3	- 2
RESULT BEFORE TAX	1 335	1 807	529	633	264	- 90	556
Income tax expense	- 335	- 463	- 132	- 147	- 59	4	- 145
RESULT AFTER TAX	1 001	1 344	396	486	204	- 86	412
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**1 001**	**1 344**	**396**	**486**	**204**	**- 86**	**412**
Banking	650	979	285	352	68	- 55	301
Insurance	351	364	111	134	136	- 30	111
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	103 092	100 909	103 092	103 844	103 689	104 969	100 909
of which Mortgage loans (end of period)	*38 831*	*36 445*	*38 831*	*37 717*	*36 863*	*36 489*	*36 445*
Customer deposits and debt certificates excl. repos (end of period)	135 442	130 771	135 442	137 271	136 928	138 045	130 771
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	13 032	13 130	13 032	12 944	13 005	13 074	13 130
Unit-Linked (end of period)	12 819	13 426	12 819	12 576	12 599	12 064	13 426
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	52 671	49 486	52 671	53 363	52 938	54 098	49 486
Required capital, insurance (end of period)	1 491	1 497	1 491	1 393	1 358	1 296	1 497
Allocated capital (end of period)	6 995	6 792	6 995	6 970	6 943	7 003	6 792
Return on allocated capital (ROAC)	15%	20%	23%	28%	12%	-5%	24%
Cost/income ratio, banking	57%	58%	50%	47%	44%	95%	48%
Combined ratio, non-life insurance	84%	89%	87%	81%	74%	95%	82%
Net interest margin, banking	1.63%	1.69%	1.59%	1.63%	1.63%	1.68%	1.68%

Business unit Czech Republic (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Breakdown P&L							
Net interest income	1 012	1 277	206	220	235	351	338
Non-life insurance (before reinsurance)	141	115	36	36	38	31	30
Earned premiums	302	281	77	78	72	75	73
Technical charges	- 161	- 166	- 41	- 42	- 35	- 44	- 43
Life insurance (before reinsurance)	48	54	10	12	12	14	12
Earned premiums	206	228	59	50	44	52	58
Technical charges	- 158	- 174	- 49	- 38	- 32	- 39	- 45
Ceded reinsurance result	- 1	- 5	0	- 1	0	0	0
Dividend income	1	1	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	7	- 85	26	16	90	- 125	8
Net realised result from debt instruments at fair value through OCI	1	0	0	0	1	0	0
Net fee and commission income	203	254	46	52	51	55	59
Net other income	13	102	- 3	3	3	9	3
TOTAL INCOME	1 425	1 714	322	337	431	335	451
Operating expenses	- 752	- 770	- 187	- 179	- 164	- 221	- 200
Impairment	- 226	- 17	- 24	- 18	- 175	- 9	- 3
on financial assets at AC and at FVOCI	- 210	- 12	- 17	- 15	- 170	- 8	- 1
other	- 16	- 4	- 7	- 3	- 5	- 1	- 1
Share in results of associated companies and joint ventures	- 2	8	- 1	0	0	0	0
RESULT BEFORE TAX	446	935	111	139	91	105	248
Income tax expense	- 71	- 146	- 17	- 23	- 14	- 17	- 43
RESULT AFTER TAX	375	789	94	116	77	88	205
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**375**	**789**	**94**	**116**	**77**	**88**	**205**
Banking	321	743	81	104	61	75	194
Insurance	54	47	12	12	16	13	11
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	29 099	29 857	29 099	28 106	28 597	28 286	29 857
of which Mortgage loans (end of period)	*16 190*	*15 768*	*16 190*	*15 384*	*15 418*	*14 876*	*15 768*
Customer deposits and debt certificates excl. repos (end of period)	41 610	39 559	41 610	39 162	39 704	37 627	39 559
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	655	629	655	622	613	588	629
Unit-Linked (end of period)	614	727	614	615	659	655	727
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 338	15 005	15 338	14 971	15 338	15 349	15 005
Required capital, insurance (end of period)	137	121	137	131	128	126	121
Allocated capital (end of period)	1 739	1 726	1 739	1 696	1 746	1 745	1 726
Return on allocated capital (ROAC)	22%	47%	22%	27%	18%	20%	48%
Cost/income ratio, banking	53%	44%	59%	54%	38%	68%	44%
Combined ratio, non-life insurance	87%	94%	87%	90%	81%	90%	94%
Net interest margin, banking	2.31%	3.04%	1.95%	2.05%	2.32%	2.98%	2.90%

Business unit International Markets **(in millions of EUR)**	**FY 2020**	**FY 2019**	**4Q 2020**	**3Q 2020**	**2Q 2020**	**1Q 2020**	**4Q 2019**
Breakdown P&L							
Net interest income	894	863	229	227	219	219	219
Non-life insurance (before reinsurance)	150	136	31	34	46	40	35
Earned premiums	321	315	80	81	78	82	80
Technical charges	- 172	- 179	- 49	- 47	- 33	- 43	- 45
Life insurance (before reinsurance)	26	36	5	4	10	8	11
Earned premiums	105	95	26	25	24	29	24
Technical charges	- 79	- 60	- 22	- 21	- 15	- 21	- 14
Ceded reinsurance result	- 5	- 8	2	- 1	- 3	- 3	- 1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	43	48	16	18	14	- 5	23
Net realised result from debt instruments at fair value through OCI	2	2	0	0	1	0	0
Net fee and commission income	273	301	69	68	67	69	78
Net other income	8	- 11	1	- 4	5	6	4
TOTAL INCOME	1 391	1 367	353	347	359	333	370
Operating expenses	- 894	- 932	- 231	- 200	- 196	- 268	- 248
Impairment	- 250	12	- 15	1	- 213	- 24	18
on financial assets at AC and at FVOCI	- 217	18	- 1	6	- 217	- 6	22
other	- 33	- 6	- 13	- 5	4	- 18	- 4
Share in results of associated companies and joint ventures	0	5	0	0	0	0	1
RESULT BEFORE TAX	247	452	107	148	- 50	42	141
Income tax expense	- 48	- 73	- 20	- 24	5	- 7	- 22
RESULT AFTER TAX	199	379	86	123	- 45	35	119
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**199**	**379**	**86**	**123**	**- 45**	**35**	**119**
Banking	144	329	79	112	- 66	19	107
Insurance	55	49	7	11	21	16	12
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	27 430	25 050	27 430	25 824	25 277	25 109	25 050
of which Mortgage loans (end of period)	*16 929*	*15 584*	*16 929*	*15 952*	*15 650*	*15 536*	*15 584*
Customer deposits and debt certificates excl. repos (end of period)	28 075	24 041	28 075	24 789	24 272	23 197	24 041
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	249	255	249	250	254	254	255
Unit-Linked (end of period)	398	432	398	390	397	373	432
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	23 224	20 892	23 224	20 791	20 736	21 507	20 892
Required capital, insurance (end of period)	135	124	135	130	127	123	124
Allocated capital (end of period)	2 561	2 359	2 561	2 302	2 315	2 391	2 359
Return on allocated capital (ROAC)	8%	16%	15%	21%	-8%	6%	20%
Cost/income ratio, banking	66%	70%	65%	58%	57%	84%	68%
Combined ratio, non-life insurance	84%	88%	90%	89%	75%	82%	89%
Net interest margin, banking	2.60%	2.64%	2.59%	2.61%	2.58%	2.61%	2.60%

Slovakia (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Breakdown P&L							
Net interest income	202	204	51	52	49	50	51
Non-life insurance (before reinsurance)	27	28	4	7	8	7	7
Earned premiums	52	47	14	13	13	12	12
Technical charges	- 25	- 19	- 10	- 6	- 4	- 5	- 5
Life insurance (before reinsurance)	12	12	3	3	3	3	4
Earned premiums	34	43	8	9	8	9	12
Technical charges	- 22	- 30	- 5	- 5	- 5	- 7	- 7
Ceded reinsurance result	3	- 2	4	- 1	- 1	0	- 1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	9	4	3	6	7	- 8	10
Net realised result from debt instruments at fair value through OCI	2	1	0	0	1	0	0
Net fee and commission income	58	65	14	15	14	15	16
Net other income	8	9	2	1	2	3	4
TOTAL INCOME	320	322	82	84	84	70	93
Operating expenses	- 204	- 211	- 48	- 46	- 51	- 59	- 53
Impairment	- 45	- 11	- 2	5	- 41	- 6	6
on financial assets at AC and at FVOCI	- 42	- 11	1	5	- 41	- 6	5
other	- 3	0	- 2	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	71	100	32	43	- 8	4	46
Income tax expense	- 15	- 21	- 6	- 10	2	- 1	- 8
RESULT AFTER TAX	56	79	25	33	- 6	4	38
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**56**	**79**	**25**	**33**	**- 6**	**4**	**38**
Banking	45	69	23	30	- 9	1	36
Insurance	11	10	3	3	3	3	2
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	9 016	7 506	9 016	7 857	7 683	7 607	7 506
of which Mortgage loans (end of period)	*4 707*	*3 641*	*4 707*	*3 992*	*3 846*	*3 714*	*3 641*
Customer deposits and debt certificates excl. repos (end of period)	8 601	6 480	8 601	7 100	6 531	6 287	6 480
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	114	114	114	114	114	114	114
Unit-Linked (end of period)	83	100	83	87	92	89	100
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 919	4 985	5 919	5 011	5 104	5 123	4 985
Required capital, insurance (end of period)	29	27	29	28	27	26	27
Allocated capital (end of period)	648	560	648	552	565	567	560
Return on allocated capital (ROAC)	10%	14%	18%	24%	-5%	3%	27%
Cost/income ratio, banking	65%	66%	59%	54%	62%	88%	56%
Combined ratio, non-life insurance	82%	85%	80%	87%	79%	82%	94%

Note: the balance sheet at 31 December 2020 contains figures of OTP Slovensko (Slovakia), of which 99.44% ownership was acquired by KBC Bank NV on 26 November 2020, resulting in full consolidation on the balance sheet. For more information see note 'Main changes in the scope of consolidation' (note 6.6) in this report.

Hungary (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Breakdown P&L							
Net interest income	262	254	68	68	64	62	64
Non-life insurance (before reinsurance)	55	48	12	12	17	14	14
Earned premiums	143	145	34	35	35	39	37
Technical charges	- 88	- 97	- 23	- 24	- 17	- 25	- 22
Life insurance (before reinsurance)	- 1	8	- 2	- 2	2	1	2
Earned premiums	35	17	9	9	8	9	4
Technical charges	- 36	- 9	- 11	- 11	- 6	- 8	- 2
Ceded reinsurance result	- 3	- 2	0	- 1	- 1	- 1	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	39	33	14	12	10	2	9
Net realised result from debt instruments at fair value through OCI	1	1	0	0	0	0	0
Net fee and commission income	191	215	49	46	46	49	56
Net other income	4	2	1	0	0	2	0
TOTAL INCOME	548	558	142	136	140	130	146
Operating expenses	- 323	- 353	- 79	- 74	- 69	- 101	- 87
Impairment	- 85	- 1	- 17	- 2	- 50	- 16	- 3
on financial assets at AC and at FVOCI	- 59	1	- 8	3	- 55	2	- 2
other	- 26	- 2	- 9	- 5	6	- 18	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	140	204	46	59	21	13	57
Income tax expense	- 26	- 31	- 8	- 9	- 5	- 4	- 7
RESULT AFTER TAX	114	173	38	51	16	10	50
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**114**	**173**	**38**	**51**	**16**	**10**	**50**
Banking	90	156	35	46	7	2	44
Insurance	24	18	4	4	9	8	6
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	4 940	4 623	4 940	4 775	4 617	4 534	4 623
of which Mortgage loans (end of period)	*1 600*	*1 596*	*1 600*	*1 541*	*1 512*	*1 467*	*1 596*
Customer deposits and debt certificates excl. repos (end of period)	8 982	7 953	8 982	7 983	8 011	7 435	7 953
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	46	52	46	46	49	48	52
Unit-Linked (end of period)	255	291	255	251	258	243	291
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 961	6 415	6 961	6 895	6 865	6 555	6 415
Required capital, insurance (end of period)	47	48	47	45	47	44	48
Allocated capital (end of period)	775	735	775	766	772	735	735
Return on allocated capital (ROAC)	15%	23%	21%	27%	8%	5%	27%
Cost/income ratio, banking	61%	64%	56%	56%	52%	82%	61%
Combined ratio, non-life insurance	86%	90%	93%	92%	76%	84%	87%

Bulgaria (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Breakdown P&L							
Net interest income	144	141	36	36	36	36	36
Non-life insurance (before reinsurance)	68	60	15	15	20	18	13
Earned premiums	126	122	32	32	31	31	31
Technical charges	-58	-62	-17	-17	-11	-13	-18
Life insurance (before reinsurance)	15	16	3	3	5	4	4
Earned premiums	36	36	9	7	9	11	9
Technical charges	-21	-21	-6	-4	-4	-7	-4
Ceded reinsurance result	-5	-5	-2	0	-1	-2	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	15	0	0	0	0	3
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	28	24	8	8	6	6	5
Net other income	3	1	1	1	1	0	1
TOTAL INCOME	253	252	61	63	67	62	63
Operating expenses	-139	-139	-33	-31	-27	-48	-33
Impairment	-30	-9	0	-2	-25	-3	0
on financial assets at AC and at FVOCI	-27	-5	1	-2	-23	-3	4
other	-3	-4	-1	0	-1	0	-3
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	84	104	28	30	16	11	31
Income tax expense	-9	-11	-3	-3	-2	-1	-3
RESULT AFTER TAX	76	93	25	27	14	10	27
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**76**	**93**	**25**	**27**	**14**	**10**	**27**
Banking	53	76	23	22	4	4	24
Insurance	23	17	2	5	9	6	3
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	3 508	3 161	3 508	3 413	3 307	3 213	3 161
of which Mortgage loans (end of period)	*778*	*693*	*778*	*752*	*723*	*703*	*693*
Customer deposits and debt certificates excl. repos (end of period)	5 453	4 439	5 453	4 802	4 634	4 497	4 439
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	88	89	88	90	91	92	89
Unit-Linked (end of period)	60	41	60	52	47	41	41
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 254	3 413	3 254	3 133	3 073	3 770	3 413
Required capital, insurance (end of period)	58	49	58	57	53	53	49
Allocated capital (end of period)	398	414	398	384	377	450	414
Return on allocated capital (ROAC)	19%	23%	25%	27%	13%	9%	27%
Cost/income ratio, banking	58%	56%	52%	49%	44%	86%	51%
Combined ratio, non-life insurance	82%	88%	89%	85%	70%	82%	89%

Ireland (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Breakdown P&L							
Net interest income	286	263	74	72	69	71	67
Non-life insurance (before reinsurance)	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 4	- 4	- 2	- 1	- 3	2	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	- 3	- 2	- 1	- 1	0	- 1	0
Net other income	- 9	- 23	- 3	- 6	0	0	- 1
TOTAL INCOME	269	235	68	64	65	71	67
Operating expenses	- 228	- 229	- 71	- 49	- 48	- 60	- 75
Impairment	- 91	33	4	0	- 97	2	14
on financial assets at AC and at FVOCI	- 90	33	5	0	- 97	1	14
other	- 2	0	- 1	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	- 50	39	1	15	- 80	13	6
Income tax expense	2	- 10	- 4	- 2	10	- 2	- 3
RESULT AFTER TAX	- 48	29	- 3	13	- 70	12	2
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**- 48**	**29**	**- 3**	**13**	**- 70**	**12**	**2**
Banking	- 44	29	- 2	14	- 68	12	2
Insurance	- 4	0	- 1	- 1	- 1	0	0
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	9 966	9 760	9 966	9 779	9 670	9 754	9 760
of which Mortgage loans (end of period)	*9 844*	*9 654*	*9 844*	*9 666*	*9 569*	*9 651*	*9 654*
Customer deposits and debt certificates excl. repos (end of period)	5 040	5 169	5 040	4 904	5 095	4 978	5 169
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 089	6 077	7 089	5 750	5 692	6 057	6 077
Allocated capital (end of period)	741	650	741	601	600	639	650
Return on allocated capital (ROAC)	-7%	4%	-2%	8%	-44%	7%	1%
Cost/income ratio, banking	83%	97%	102%	75%	72%	83%	113%

Group Centre - Breakdown net result (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019
Operational costs of the Group activities	- 95	- 80	- 42	- 20	- 18	- 15	- 34
Capital and treasury management	- 20	- 26	- 4	1	- 6	- 11	- 8
Holding of participations	- 3	9	- 1	2	- 1	- 3	- 2
Results companies in rundown	- 1	24	0	- 4	- 1	3	2
Other	- 16	51	9	- 8	0	- 18	9
Total net result for the Group centre	- 135	- 23	- 38	- 28	- 26	- 43	- 33

Business unit Group Centre (in millions of EUR)	FY 2020	FY 2019	4Q 2020	3Q 2020	2Q 9020	1Q 2020	4Q 2019
Breakdown P&L							
Net interest income	- 18	- 38	2	2	- 6	- 16	- 9
Non-life insurance (before reinsurance)	13	10	- 2	7	5	2	4
Earned premiums	12	10	3	3	4	2	2
Technical charges	0	0	- 4	4	1	0	1
Life insurance (before reinsurance)	- 1	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0
Ceded reinsurance result	- 2	- 9	- 2	- 4	- 1	5	0
Dividend income	4	3	1	1	1	1	1
Net result from financial instruments at fair value through profit or loss	- 51	41	4	- 16	1	- 39	10
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0	0	0
Net fee and commission income	- 4	- 3	0	- 1	- 1	- 2	0
Net other income	- 1	3	- 2	1	0	0	- 2
TOTAL INCOME	- 59	6	0	- 9	- 2	- 48	4
Operating expenses	- 111	- 116	- 39	- 27	- 24	- 21	- 48
Impairment	- 11	32	- 17	- 2	0	9	11
on financial assets at AC and at FVOCI	7	32	1	- 2	0	9	11
other	- 18	0	- 18	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	- 181	- 78	- 57	- 38	- 26	- 60	- 32
Income tax expense	46	55	18	10	0	18	- 1
RESULT AFTER TAX	- 135	- 23	- 38	- 28	- 26	- 43	- 33
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**- 135**	**- 23**	**- 38**	**- 28**	**- 26**	**- 43**	**- 33**
Banking	- 101	1	- 9	- 22	- 21	- 49	- 17
Holding	- 39	- 25	- 31	- 6	- 5	3	- 26
Insurance	5	2	2	0	0	4	10
Breakdown Loans and deposits							
Total customer loans excluding reverse repos (end of period)	1	1	1	0	0	0	1
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	10 303	8 999	10 303	10 450	9 908	9 426	8 999
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	1 744	4 554	1 744	1 912	2 209	2 339	4 554
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	- 18	- 15	- 18	- 18	- 15	- 22	- 15
Allocated capital (end of period)	164	473	164	182	218	224	473

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

Gives an idea of the amount of profit over a certain period that is attributable to one share (and, where applicable, including dilutive instruments).

Calculation (in millions of EUR)	Reference	2020	2019
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 440	2 489
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 50	- 56
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	416	416
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		416	416
Basic = (A-B) / (C) (in EUR)		3.34	5.85
Diluted = (A-B) / (D) (in EUR)		3.34	5.85

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	2020	2019
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	945	1 006
/			
Earned insurance premiums (B)	Note 3.7.1	1 742	1 693
+			
Operating expenses (C)	Note 3.7.1	536	526
/			
Written insurance premiums (D)	Note 3.7.1	1 769	1 728
= (A/B)+(C/D)		84.5%	89.9%

Common equity ratio

A risk-weighted measure of the group's solvency based on common equity tier-1 capital (the ratios given here are based on the Danish compromise). The CRD rules are gradually being implemented to allow banks to build up the necessary capital buffers. The capital position of a bank, when account is taken of the transition period, is referred to as the 'transitional' view. The capital position based on full application of all the rules – as would be the case after this transition period – is referred to as 'fully loaded'.

A detailed calculation can be found under 'Solvency KBC Group' section.

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	2020	2019
Cost/income ratio			
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	3 677	3 800
/			
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	6 132	6 563
=(A) / (B)		60.0%	57.9%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. 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 59% in FY 2020 (versus 58% in FY 2019).

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	2020	2019
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 638	2 584
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 902	6 160
= (A) / (B)		44.7%	42.0%

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period, 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	2020	2019
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	1 068	204
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	177 542	170 128
= (A) (annualised) / (B)		0.60%	0.12%

The credit cost ratio of FY 2020 includes a collective Covid-19 expected credit loss (ECL) of 783 million euros, of which: (i) a total management overlay of 672 million euros and (ii) an impact of 111 million euros captured by our ECL models after 12 months. Without the Covid-19 ECL impact, the credit cost ratio amounts to 0.16%.

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 definition of 'non-performing' used by the European Banking Authority.

Calculation (in millions of EUR or %)	Reference	2020	2019
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 902	6 160
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	180 891	175 431
= (A) / (B)		3.3%	3.5%

Leverage ratio

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

A detailed calculation can be found under ‘Solvency KBC Group’ section.

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. It is the average of 12 end-of-month LCR figures.

Calculation (in millions of EUR or %)	Reference	2020	2019
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	81 833	74 884
/			
Total net cash outflows over the next 30 calendar days (B)		55 714	54 415
= (A) / (B)		147%	138%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	2020	2019
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	159 621	155 816
+			
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	3 295	1 559
+			
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 056	5 894
+			
Other exposures to credit institutions (D)		4 009	4 629
+			
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	7 919	8 160
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	3 703	2 866
+			
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 198	- 2 288
+			
Non-loan-related receivables (H)		- 592	- 738
+			
Other (I)	Component of Note 4.1	- 923	- 468
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		180 891	175 431

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	2020	2019
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	3 788	3 853
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	203 616	194 731
= (A) (annualised x360/number of calendar days) / (B)		1.84%	1.95%

The net interest margin takes into account the banking group net interest income, excluding dealing room and the net positive impact of ALM FX swaps & repos.

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	2020	2019
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	209 932	174 977
/			
Required amount of stable funding (B)		143 901	128 845
= (A) / (B)		145.9%	135.8%

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	2020	2019
Parent shareholders' equity (A)	'Consolidated balance sheet'	20 030	18 722
/			
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	416
= (A) / (B) (in EUR)		48.07	44.97

The parent shareholders' equity has been retrospectively restated. For more information, see Statement of compliance (note 1.1) in this report.

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	2020	2019
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	1 001	1 344
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		6 894	6 764
= (A) annualised / (B)		14.5%	19.9%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	375	789
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		1 717	1 692
= (A) annualised / (B)		21.7%	46.7%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	199	379
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 367	2 354
= (A) annualised / (B)		8.4%	16.1%

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	2020	2019
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 440	2 489
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 50	- 56
/			
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI instruments and for FVPL equity instruments – overlay approach (C)	'Consolidated statement of changes in equity'	17 954	16 907
= (A-B) (annualised) / (C)		7.7%	14.4%

The parent shareholders' equity has been retrospectively restated. For more information, see Statement of compliance (note 1.1) in this report.

Sales Life (insurance)

Gives the indication of the sales activities of life insurance products including unit-linked.

Calculation (in millions of EUR or %)	Reference	2020	2019
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	1 223	1 323
+			
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	2	1
+			
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	764	525
Total sales Life (A)+ (B) + (C)		1 989	1 849

Solvency ratio (insurance)

Measures the solvency of the insurance business, as calculated under Solvency II.
A detailed calculation can be found under 'Solvency banking and insurance activities separately' section.

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	2020	2019
Belgium Business Unit (A)	Company presentation on www.kbc.com	194	200
+			
Czech Republic Business Unit (B)		11	11
+			
International Markets Business Unit (C)		6	5
A)+(B)+(C)		212	216