KBC Group Quarterly Report 4Q2019

Report for 4Q2019

Consolidated financial statements

Additional information

KBC Group

Report for 4Q2019

Management certification

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

Forward-looking statements

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

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Fourth-quarter result of 702 million euros

KBC Group – overview (consolidated, IFRS)	4Q2019	3Q2019	4Q2018	FY2019	FY2018
Net result (in millions of EUR)	702	612	621	2 489	2 570
Basic earnings per share (in EUR)	1.66	1.44	1.44	5.85	5.98
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*412*	*368*	*361*	*1 344*	*1 450*
Czech Republic	*205*	*159*	*170*	*789*	*654*
International Markets	*119*	*85*	*93*	*379*	*533*
Group Centre	*-33*	*0*	*-3*	*-23*	*-67*
Parent shareholders' equity per share (in EUR, end of period)	45.3	43.5	41.4	45.3	41.4

We generated a net profit of 702 million euros in the fourth quarter of 2019. This excellent performance was accounted for mainly by the quarter-on-quarter increases in trading and fair value income, technical income from our insurance activities and net interest income, partly offset by higher loan loss impairment charges and seasonally higher costs. Adding this fourth-quarter figure to the 1 787 million euros recorded in the first nine months of the year brings our net result to a solid 2 489 million euros for full-year 2019. This is 3% below the 2 570 million euros recorded for full-year 2018.

Our solvency position remained strong with a common equity ratio of 16.1%. We will propose to the General Meeting of Shareholders in May of this year to set the total (gross) dividend for 2019 at 3.5 euros per share, meaning that – following payment of the interim dividend of 1 euro per share in November 2019 – the final gross dividend to be paid in May will be 2.5 euros per share. We will also propose a buy-back of maximum 5.5 million shares, subject to the prior approval of the ECB. This will lead to a CET1 ratio (after capital distribution) of approximately 15.7%. Including the proposed total dividend, AT1 coupon and share buy-back, the pay-out ratio will amount to approximately 76% for financial year 2019.

On the sustainability front, KBC has endorsed the 'Collective Commitment to Climate Action' and is committed to stimulating the greening of the economy and to limiting global warming in line with the Paris Climate Agreement. Therefore, we pursue an open dialogue and communicate transparently with our customers and stakeholders on how we approach sustainability and to get a clear idea of their expectations. We also help our customers by supporting their transition to a greener future. For instance, in 2019, we concluded our first syndicated green loan within the shipping sector. This loan was structured according to the 'Green Loan Principles' as drawn up by the Loan Market Association, whose aim is to promote investments in green projects by providing banks and businesses with guidelines on the characteristics of such loans.

Our role as a pioneer in the field of sustainable investments was again highlighted when our SRI funds were awarded Febelfin quality certification for sustainable investment.

In our role towards customers and all other stakeholders, we aim to actively support the communities and economies in which we operate and to further build on future-proof digital transformation and customer solutions. We were, therefore, delighted to receive a series of awards in 4Q19. This reflects the appreciation in which our customer-oriented innovations are held and reaffirms our strategy going forward.

Ultimately, our goal is to ensure that our customers and all other stakeholders benefit from our activities, something which our employees are committed in their day-to-day work. In closing, I would like to take this opportunity to explicitly thank all those stakeholders who have put their trust in us.

Johan Thijs
Chief Executive Officer

Financial highlights in the fourth quarter of 2019

- Excellent performance delivered by the commercial bank-insurance franchises in our core markets and core activities.
- Lending volumes stabilised quarter-on-quarter and were up 3% year-on-year, with year-on-year growth recorded in all business units. Deposits including debt certificates declined by 1% quarter-on-quarter but were up 2% year-on-year. The figures have been calculated on a 'comparable scope' basis.
- Net interest income increased by 1% both quarter-on-quarter and year-on-year. This item benefited mainly from continued good loan volume growth, the positive impact of ECB tiering as of the fourth quarter of 2019, the full consolidation of ČMSS since June 2019 (year-on-year) and the increase in short-term interest rates in the Czech Republic (year-on-year). However, it continued to suffer from low reinvestment yields in our euro area core countries and ongoing pressure on loan portfolio margins (notwithstanding a recovery of the margin on new mortgage loan production in some of our core countries).
- Sales of our non-life insurance products rose 7% year-on-year. Technical income from these non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was up 17% on its level in the year-earlier quarter, due mainly to higher earned premiums and improved claims quality. The combined ratio for 2019 amounted to 90%, compared with 88% for 2018. Sales of our life insurance products were up 17% on their level in the previous quarter, but down 8% on their level recorded in the fourth quarter of 2018.
- Net fee and commission income was slightly higher than the figure recorded in the previous quarter and up 9% on the year-earlier quarter. Items contributing to this growth were the full consolidation of ČMSS (year-on-year), increased asset-management-related fees and higher banking-services-related fees.
- The quarter under review included strong trading and fair value income, owing to the positive impact of various market value adjustments and good dealing room income. Moreover, net other income and dividend income were also slightly up on their level for the previous quarter.
- Costs excluding bank taxes were up 5% quarter-on-quarter (partly due to seasonal effects) and 4% year-on-year (partly due to ČMSS). The cost/income ratio amounted to 58% for full-year 2019, in line with the previous year. When excluding bank taxes, the cost/income ratio came to 51% for full-year 2019.
- The quarter under review included a 75-million-euro loan loss impairment charge (accounted for mainly by five corporate loans in Belgium), compared to a 25-million-euro charge in the previous quarter and 30 million euros in the year-earlier quarter. The cost of credit amounted to a benign 0.12% in 2019, compared to -0.04% for full-year 2018 (a negative figure indicates a positive impact on the results).
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 16.1% (15.7% when including the proposed share buy-back). Our leverage ratio amounted to 6.4% at the end of December 2019 (6.3% when including the proposed share buy-back).

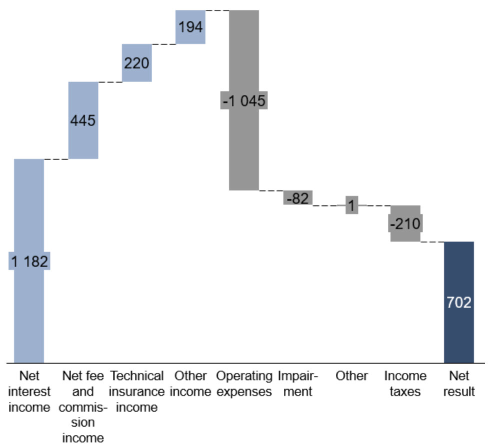
The cornerstones of our strategy

Our strategy rests on four principles:

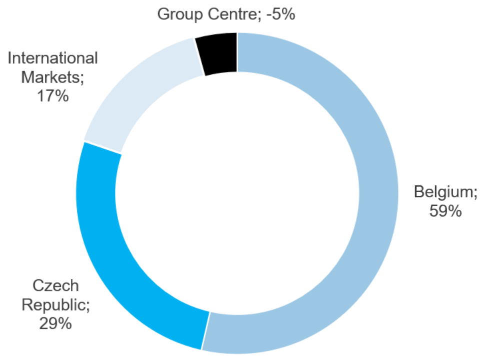
- We place our customers at the centre of everything we do.
- We look to offer our customers a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

Breakdown of the 4Q2019 result

(in millions of EUR)



Contribution of the business units to the 4Q2019 group result



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	FY2019	FY2018
Net interest income	1 182	1 174	1 132	1 129	1 166	4 618	4 543
Non-life insurance (before reinsurance)	229	192	174	161	198	756	760
Earned premiums	*441*	*440*	*425*	*415*	*409*	*1 721*	*1 582*
Technical charges	*-212*	*-248*	*-251*	*-254*	*-211*	*-966*	*-822*
Life insurance (before reinsurance)	2	-5	1	-3	-3	-6	-18
Earned premiums	*364*	*291*	*317*	*351*	*416*	*1 323*	*1 359*
Technical charges	*-363*	*-297*	*-316*	*-354*	*-418*	*-1 329*	*-1 377*
Ceded reinsurance result	-11	-9	1	-7	-12	-25	-41
Dividend income	17	14	39	12	15	82	82
Net result from financial instruments at fair value through P&L[1]	130	-46	-2	99	2	181	231
Net realised result from debt instruments at fair value through other comprehensive income	0	5	0	2	0	6	9
Net fee and commission income	445	444	435	410	407	1 734	1 719
Net other income	47	43	133	59	76	282	226
Total income	2 041	1 813	1 913	1 862	1 848	7 629	7 512
Operating expenses	-1 045	-975	-988	-1 296	-996	-4 303	-4 234
Impairment	-82	-26	-40	-69	-43	-217	17
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-75*	*-25*	*-36*	*-67*	*-30*	*-203*	*62*
Share in results of associated companies & joint ventures	-1	0	4	5	4	7	16
Result before tax	912	812	889	503	814	3 116	3 310
Income tax expense	-210	-200	-144	-73	-192	-627	-740
Result after tax	702	612	745	430	621	2 489	2 570
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**702**	**612**	**745**	**430**	**621**	**2 489**	**2 570**
Basic earnings per share (EUR)	1.66	1.44	1.76	0.98	1.44	5.85	5.98
Diluted earnings per share (EUR)	1.66	1.44	1.76	0.98	1.44	5.85	5.98

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-12-2019	30-09-2019	30-06-2019	31-03-2019	31-12-2018
Total assets	290 735	294 830	289 548	292 332	283 808
Loans and advances to customers, excl. reverse repos	155 816	154 863	154 169	148 517	147 052
Securities (equity and debt instruments)	65 633	65 122	63 746	63 706	62 708
Deposits from customers & debt certificates, excl. repos	203 369	205 270	199 138	197 987	194 291
Technical provisions, before reinsurance	18 560	18 549	18 652	18 589	18 324
Liabilities under investment contracts, insurance	13 610	13 456	13 381	13 334	12 949
Parent shareholders' equity	18 865	18 086	17 799	17 924	17 233

Selected ratios KBC group (consolidated)	FY2019	FY2018
Return on equity	14%	16%
Cost/income ratio, banking	58%	58%
(when excluding certain non-operating items)	(58%)	(57%)
Combined ratio, non-life insurance	90%	88%
Common equity ratio, Basel III Danish Compromise (fully loaded)	16.1%[3]	16.0%
Common equity ratio, FICOD (fully loaded)	14.9%	14.9%
Leverage ratio, Basel III (fully loaded)	6.4%[4]	6.1%
Credit cost ratio[5]	0.12%	-0.04%
Impaired loans ratio	3.5%	4.3%
for loans more than 90 days past due	1.9%	2.5%
Net stable funding ratio (NSFR)	136%	136%
Liquidity coverage ratio (LCR)	138%	139%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 15.7% when including the proposed share buy-back.
4 6.3% when including the proposed share buy-back.
5 A negative figure indicates a net impairment release (with a positive impact on the results).

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

Analysis of the quarter (4Q2019)

Total income

2 041 million euros

Total income increased by 13% quarter-on-quarter. Overall, trading and fair value income, technical insurance income, net interest income and net other income rose, while net fee and commission income only slightly increased compared to the previous quarter.

Net interest income amounted to 1 182 million euros in the quarter under review, up 1% both on the figure recorded in the previous quarter and year-on-year. Net interest income benefited from the positive effect of continued good loan volume growth, the positive impact of ECB tiering as of the fourth quarter of 2019, the full consolidation of ČMSS since June 2019 and the effect of past increases in short-term interest rates in the Czech Republic (year-on-year). These items were partially offset by a number of factors, including the ongoing pressure on loan portfolio margins (notwithstanding a recovery of the margin on new mortgage loan production in some of our core countries) and the negative effect of lower reinvestment yields in our core countries in the euro area.

The total volume of customer lending rose slightly (0.3%) quarter-on-quarter and by as much as 6% year-on-year. On a comparable scope basis (eliminating the effects of changes in scope, including the sale of parts of the Irish loan book in the past and the full consolidation of ČMSS since June 2019), the year-on-year increase in customer lending amounted to 3%, with growth in all business units. Customer deposits including debt certificates were down 1% quarter-on-quarter and up 5% year-on-year. On a comparable scope basis, the year-on-year growth was 2%. The net interest margin amounted to 1.94% for the quarter under review, in line with the previous quarter but down 8 basis points on the level recorded in the year-earlier quarter.

Technical income from our non-life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) contributed 219 million euros to total income. It was up 19% on its level in the previous quarter due to a combination of lower technical charges (mainly a lower storm-related impact), stable earned premiums and a lower ceded reinsurance result. Technical non-life insurance income was up 17% on the figure recorded in the year-earlier quarter, due mainly to growth of earned premium income in all of our core countries. Overall, the combined ratio for 2019 came to 90%, compared with 88% for full-year 2018.

Technical income from our life insurance activities amounted to 1 million euros, compared to -6 million euros in the previous quarter and -4 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (471 million euros) were up 17% on the level recorded in the previous quarter, driven by higher sales of guaranteed-interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in the fourth quarter of 2019). Compared to the year-earlier quarter, however, sales of life insurance products were down 8%, driven mainly by lower sales of guaranteed-interest products (due entirely to the suspension of universal single life insurance products in Belgium). Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 66% in the quarter under review, with unit-linked products accounting for the remaining 34%.

At 445 million euros, net fee and commission income was slightly higher than the figure recorded in the previous quarter and up by 9% on the figure recorded in the year-earlier quarter. Quarter-on-quarter, net fee and commission income benefited from an increase in fees related to asset management services and in fees for banking services (mainly fees from credit files and bank guarantees), while distribution fees rose because of higher commissions paid linked to banking products and increased sales of insurance products. Compared to a year earlier, net fee and commission income benefited from an increase in fees related to asset management services and in fees related to banking services (including the ČMSS year-on-year impact), while paid distribution fees rose too. At the end of December 2019, our total assets under management amounted to 216 billion euros, up 2% quarter-on-quarter and 8% year-on-year. In both cases, this was largely accounted for by the positive impact of improving asset prices more than offsetting net outflows (mainly in investment advice and group assets, but small net inflows in our mutual fund business).

All other remaining income items amounted to an aggregate 194 million euros, well up on the 16 million euros recorded in the previous quarter and on the 93 million euros in the year-earlier quarter. The quarter under review included a 130-million-euro net result from financial instruments at fair value (trading and fair value income), up on the very weak -46 million euros recorded in the previous quarter and much higher than the 2 million euros recorded in the year-earlier quarter. The quarter's trading and fair value income was boosted mainly by the aggregate positive impact of various market value adjustments and good level of dealing room income. The other remaining income items also included dividend income of 17 million euros and 47 million euros in net other income. The figure for net other income compares to 76 million euros in the year-earlier quarter (which had benefited from a positive 33 million euros related to the settlement of legacy legal cases) and to 43 million euros in the previous quarter, which had been impacted by an 18-million-euro charge related to the tracker mortgage review in Ireland.

Operating expenses

1 045 million euros

Excluding bank taxes, operating expenses in the fourth quarter were up 5% compared to the previous quarter. The cost/income ratio amounted to 58% for full-year 2019, in line with the previous year.

Operating expenses in the fourth quarter of 2019 were 1 045 million euros. Excluding bank taxes, operating expenses increased by 5% quarter-on-quarter, mainly as a result of higher staff expenses (due partly to wage inflation in most countries and a provision for bonuses), timing differences (such as seasonally higher professional fee expenses) and higher marketing and facilities expenses. Costs were up 4% year-on-year, due in part to higher staff costs (wage inflation in most countries, partly offset by a decrease in FTEs), higher depreciation costs and the ČMSS year-on-year impact.

The cost/income ratio of our banking activities came to 58% for 2019 (compared to 57% for 2018 excluding certain non-operating items and 58% for 2018 including certain non-operating items).

Loan loss impairment

75 million euros

Net loan loss impairment charge of 75 million euros, up on the 25 million euros recorded in the previous quarter. Benign credit cost ratio of 0.12% for 2019.

In the fourth quarter of 2019, we recorded a 75-million-euro net loan loss impairment charge, compared with a net charge of 25 million euros in the previous quarter and 30 million euros in the fourth quarter of 2018. Most of the net impairment charge in the quarter under review related to five corporate loans in Belgium. Broken down by country, loan loss impairment charges in the fourth quarter of 2019 came to 107 million euros in Belgium, 2 million euros in Hungary and 1 million euros in the Czech Republic, while there were net impairment releases of 14 million euros in Ireland, 11 million euros in the Group Centre, 5 million euros in Slovakia and 4 million euros in Bulgaria. For the entire group, the credit cost ratio amounted to 0.12% for 2019, compared to -0.04% for 2018 (a negative figure indicates a net release and, hence, has a positive effect on the results).

The impaired loans ratio has continued to improve since the start of the year. At the end of December 2019, some 3.5% of our total loan book was classified as impaired (4.3% at year-end 2018). Impaired loans that are more than 90 days past due fell to 1.9% of the loan book (2.5% at year-end 2018). The drop in impaired loans is partly related to the accounting write-off of certain fully provisioned legacy loans in Ireland in earlier quarters.

Impairment on assets other than loans amounted to 7 million euros, compared to 1 million euros in the previous quarter and 13 million euros in the fourth quarter of 2018.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
412 million euros	205 million euros	119 million euros	-33 million euros

Belgium: the net result (412 million euros) was up 12% quarter-on-quarter. The fourth quarter result included significantly higher trading and fair value income (positive impact of various valuation adjustments combined with a good dealing room result), as well as higher technical insurance results and improved net fee and commission income. Net interest income and operating expenses were slightly lower whereas loan loss impairment charges edged up to 107 million euros on account of five corporate loans.

Czech Republic: the net result (205 million euros) was up 29% on its level for the previous quarter. The fourth quarter result included not only significantly higher trading and fair value income, but also higher net interest income and lower loan loss impairment charges. These were partly offset by higher operating expenses and lower net fee and commission income.

International Markets: the 119-million-euro net result breaks down as follows: 38 million euros in Slovakia, 50 million euros in Hungary, 27 million euros in Bulgaria and 2 million euros in Ireland. For the business unit as a whole, the net result was up 39% quarter-on-quarter, mainly on account of higher loan loss impairment releases, higher net other income (negative one-off item related to the Irish tracker mortgage review in the third quarter of 2019) and higher trading and fair value income, but partly offset by higher bank taxes (mainly in Ireland) and increased operating expenses.

Group Centre: the net result (-33 million euros) was down 33 million euros quarter-on-quarter. The quarter under review was impacted by higher operating expenses arising mainly from timing differences, lower net other income and lower net results from financial instruments at fair value (due entirely to a lower value of derivatives used for asset/liability management purposes).

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**FY2019**	**FY2018**	**FY2019**	**FY2018**	**FY2019**	**FY2018**
Cost/income ratio, banking excluding certain non-operating items	60%	58%	47%	46%	68%	65%
Combined ratio, non-life insurance	89%	87%	94%	97%	88%	90%
Credit cost ratio*	0.22%	0.09%	0.04%	0.03%	-0.07%	-0.46%
Impaired loans ratio	2.4%	2.6%	2.3%	2.4%	8.5%	12.2%

* 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
20.4 billion euros	16.1%	138%	136%

At the end of December 2019, total equity amounted to 20.4 billion euros, comprising 18.9 billion euros in parent shareholders’ equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 4% on its level at the end of 2018, owing to the combined effect of a number of items, including profits for the twelve-month period (+2.5 billion euros), the call of an additional tier-1 instrument and the issuance of a new additional tier-1 instrument (-1.4 billion euros and +0.5 billion euros, respectively), payment of the final dividend for 2018 in May 2019 and the interim dividend for 2019 paid in November 2019 (-1.0 billion euros and -0.4 billion euros, respectively) and changes in various revaluation reserves (an aggregate +0.6 billion euros). We have provided details of the changes in the ‘Consolidated financial statements’ section of the quarterly report (under ‘Consolidated statement of changes in equity’).

At 31 December 2019, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 16.1%. The Board of Directors has decided that, for the year 2019, the capital above the ‘Reference Capital Position’ (15.7%) will be distributed. It will be proposed to the General Meeting of Shareholders in May of this year that the total (gross) dividend for 2019 be set at 3.5 euros per share, meaning that – following payment of the interim dividend of 1 euro per share in November 2019 – the final gross dividend to be paid in May will be 2.5 euros per share. It will also be proposed to buy back a maximum of 5.5 million shares, subject to the prior approval of the ECB. This will result in a CET1 ratio (after capital distribution) of approximately 15.7%. Including the proposed total dividend, AT1 coupon and share buy-back, the pay-out ratio will amount to approximately 76% for financial year 2019.

Our leverage ratio (Basel III, fully loaded) came to 6.4% (6.3% when including the proposed share buy-back). The solvency ratio for KBC Insurance under the Solvency II framework was a sound 202% at the end of December 2019. Our liquidity position remained excellent too, as reflected in an LCR ratio of 138% and an NSFR ratio of 136% at year-end.

Analysis of the year-to-date period (FY2019)

Net result

2 489 million euros

The net result for 2019 was down (3%) on its year-earlier level. Total income was up 2% year-on-year, owing mainly to the increase in net interest income and net other income (due to the one-off gain related to the acquisition of the remaining stake in ČMSS in the second quarter). Costs increased by 1.6% year-on-year, largely on the back of higher bank taxes, increased direct supervisory expenses and the ČMSS year-on-year impact. Loan loss impairment *charges* amounted to 203 million euros, significantly higher than the net impairment *release* of 62 million euros in the year-earlier period.

Highlights (compared to 2018):

- Higher net interest income (up 2% to 4 618 million euros), due to lower funding costs, the additional positive impact of repo rate hikes in the Czech Republic, continued good loan volume growth, higher margins on new mortgage loan production in most core countries and the full consolidation of ČMSS, which were partly offset by lower reinvestment yields in our euro-area core countries, pressure on loan margins on the total outstanding portfolio in most core countries and the lower net positive impact of FX swaps used for asset/liability management. The volume of deposits and debt certificates was up 2%, and lending volumes increased by 3%, with growth in all business units. These volume figures have been calculated on a comparable scope basis. The net interest margin in 2019 came to 1.95%, down 5 basis points year-on-year.
- An increase in the contribution to profit made by the technical insurance result (up 4% to 726 million euros). At 1 849 million euros, life insurance sales rose (2%), with higher sales mainly for unit-linked products. Non-life sales were up 8% year-on-year. The non-life insurance technical result was slightly higher (2%) than the figure for the year-earlier period, with the higher premium income and ceded reinsurance result being partly offset by increased technical charges. The non-life combined ratio for the full year was 90%, compared to 88% for the year earlier.
- Slightly higher net fee and commission income (up 1% to 1 734 million euros), attributable primarily to higher banking services-related fees (due in part to the ČMSS year-on-year impact) which was partly offset by a decrease in fees for asset management services and higher distribution costs. At the end of December 2019, total assets under management amounted to 216 billion euros, up 8% on the level recorded a year earlier (since the positive price improvement more than offset net outflows).

- A more or less stable level of all other income items combined (up 1% to 551 million euros), with the significant drop in trading and fair value income (caused primarily by lower dealing room income and a negative change in derivatives used for asset/liability management, but partly offset by the aggregate positive impact of various market value adjustments and a higher net result from equity instruments at the insurer) being more than offset by a higher level of net other income (including the ČMSS-related one-off gain of 82 million euros in May 2019).
- Strict cost control, with operating expenses excluding bank taxes increasing by 1% year-on-year. Excluding the impact of the full consolidation of ČMSS, operating expenses excluding bank taxes roughly stabilised year-on-year. Total bank taxes (including ESFR contribution) increased by 6% year-on-year to 491 million euros in full-year 2019. Direct supervisory expenses rose by 10% year-on-year to 36 million euros in full-year 2019. Including higher bank taxes and the ČMSS year-on-year impact, operating expenses in full-year 2019 rose by 1.6%, in line with our guidance. As a result, the year-to-date cost/income ratio came to 58% (compared to 58% for 2018). When excluding bank taxes, the cost/income ratio came to 51% for full-year 2019.
- A significant net increase in loan loss impairments (net addition of 203 million euros in 2019, compared to a net release of 62 million euros in the year-earlier period), as the 2018 level was unsustainably low. This was due largely to Belgium (net addition of 241 million euros in the period under review, compared to 91 million euros in the reference period, due to several corporate files) and Ireland (33-million-euro net release of impairments in the period under review, compared to a 112-million-euro net release in the reference period). As a result, the credit cost ratio for the whole group was 0.12%, compared to -0.04% for 2018 (a negative figure indicates a positive impact on the results).
- The 2 489-million-euro net result for 2019 breaks down as follows: 1 344 million euros for the Belgium Business Unit (-7% compared to 2018), 789 million euros for the Czech Republic Business Unit (+21%, owing partly to the one-off gain of 82 million euros related to ČMSS in May 2019), 379 million euros for the International Markets Business Unit (-29%) and -23 million euros for the Group Centre (compared to a negative 67 million euros in 2018). The result for the International Markets Business Unit for 2019 includes 29 million euros for Ireland (down 126 million euros on the reference period, due to significantly lower loan loss impairment releases, as well as lower net interest income and net other income), 173 million euros for Hungary, 79 million euros for Slovakia and 93 million euros for Bulgaria.

Risk statement, economic views and guidance

Risk statement

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

At present, a number of items are considered to constitute the main challenges for the financial sector. These relate to recent macroeconomic and political developments, such as Brexit and trade conflicts, all of which affect global and European economies, including KBC's home markets. Economic growth and interest rate forecasts have been lowered, making it increasingly likely that the low interest rate environment will persist for longer than originally anticipated. 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 interest rates and foreign exchange rates

A global economic environment with muted growth and inflation in a context of still elevated risks led major central banks to stick to their very accommodating monetary policies. Following the rate cuts in 2019, we expect the Fed to keep its policy rate constant this and next year. Since euro area inflation is expected to remain significantly below the ECB's medium-term target and risk factors, such as trade conflicts, are still negatively impacting the momentum of European growth, the ECB will most likely also keep monetary policy very accommodative in the years to come.

Flight-to-quality and safe-haven effects, subdued European (core) inflation and, in particular, a dovish ECB will continue to limit the upward potential for longer-term interest rates and intra-EMU sovereign spreads.

The Czech National Bank (CNB) raised its policy rate to 2.25% at its policy meeting on 6 February 2020. This is consistent with the underlying strong dynamics of Czech inflation, which the CNB took into account in its decision.

Our view on economic growth

After the global economic slowdown in 2019, 2020 started with a slightly more positive economic outlook. The euro-area economy is expected to recover gradually throughout this year. Very low unemployment rates combined with solid wage inflation are likely to continue underpinning private consumption as the main driver of economic growth. The main factors that could substantially impede European economic sentiment and growth remain the risk of further economic deglobalisation, including an escalation of trade conflicts, Brexit, political turmoil in some euro-area countries and geopolitical tensions. The spreading of the corona virus is expected to lower Chinese economic growth and to distort global supply channels, leading to temporarily lower growth in advanced economies too. However, the impact on the global economy is expected to be temporary and may be partly compensated later on in 2020.

Dividend and share buy-back for 2019

For accounting year 2019, it will be proposed to the General Meeting of Shareholders in May of this year that the total (gross) dividend for 2019 be set at 3.5 euros per share, meaning that – following payment of the interim dividend of 1 euro per share in November 2019 – the final gross dividend to be paid in May will be 2.5 euros per share. It will also be proposed to buy back a maximum of 5.5 million shares, subject to the prior approval of the ECB. This will result in a CET1 ratio (after capital distribution) of approximately 15.7%. Including the proposed total dividend, AT1 coupon and share buy-back, the pay-out ratio will amount to approximately 76% for financial year 2019.

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 2019 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.

Guidance

- Solid returns for all business units.
- Basel IV impact for KBC (as of 1 January 2022) estimated to increase risk-weighted assets (RWA) by roughly 8 billion euros (on a fully loaded basis at the end of 2019), corresponding to RWA inflation of 8% and an impact on the common equity ratio of -1.2 percentage points.

Upcoming events	Annual report: 3 April 2020 Annual General Meeting: 7 May 2020 Final dividend: ex-date: 12 May 2020; record date: 13 May 2020; payment date: 14 May 2020 1Q2020 results: 14 May 2020 Investor Day: 17 June 2020 2Q2020 results: 6 August 2020 3Q2020 results: 12 November 2020
More information on 4Q2019	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
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 2019 and 12M 2019

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	2019	2018	4Q 2019	3Q 2019	4Q 2018
Net interest income	3.1	4 618	4 543	1 182	1 174	1 166
Interest income	*3.1*	*7 244*	*6 996*	*1 809*	*1 806*	*1 848*
Interest expense	*3.1*	*- 2 626*	*- 2 453*	*- 627*	*- 632*	*- 682*
Non-life insurance (before reinsurance)	3.7	756	760	229	192	198
Earned premiums	*3.7*	*1 721*	*1 582*	*441*	*440*	*409*
Technical charges	*3.7*	*- 966*	*- 822*	*- 212*	*- 248*	*- 211*
Life insurance (before reinsurance)	3.7	- 6	- 18	2	- 5	- 3
Earned premiums	*3.7*	*1 323*	*1 359*	*364*	*291*	*416*
Technical charges	*3.7*	*- 1 329*	*- 1 377*	*- 363*	*- 297*	*- 418*
Ceded reinsurance result	3.7	- 25	- 41	- 11	- 9	- 12
Dividend income		82	82	17	14	15
Net result from financial instruments at fair value through profit or loss	3.3	181	231	130	- 46	2
of which result on equity instruments (overlay approach)		*93*	*51*	*28*	*17*	*- 3*
Net realised result from debt instruments at fair value through OCI		6	9	0	5	0
Net fee and commission income	3.5	1 734	1 719	445	444	407
Fee and commission income	*3.5*	*2 476*	*2 456*	*643*	*629*	*602*
Fee and commission expense	*3.5*	*- 741*	*- 737*	*- 198*	*- 185*	*- 196*
Net other income	3.6	282	226	47	43	76
TOTAL INCOME		7 629	7 512	2 041	1 813	1 848
Operating expenses	3.8	- 4 303	- 4 234	- 1 045	- 975	- 996
Staff expenses	*3.8*	*- 2 357*	*- 2 343*	*- 602*	*- 585*	*- 580*
General administrative expenses	*3.8*	*- 1 595*	*- 1 612*	*- 352*	*- 299*	*- 343*
Depreciation and amortisation of fixed assets	*3.8*	*- 351*	*- 280*	*- 92*	*- 90*	*- 73*
Impairment	3.10	- 217	17	- 82	- 26	- 43
on financial assets at AC and at FVOCI	*3.10*	*- 203*	*62*	*- 75*	*- 25*	*- 30*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 14*	*- 45*	*- 7*	*- 1*	*- 13*
Share in results of associated companies and joint ventures		7	16	- 1	0	4
RESULT BEFORE TAX		3 116	3 310	912	812	814
Income tax expense	3.12	- 627	- 740	- 210	- 200	- 192
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		2 489	2 570	702	612	621
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**2 489**	**2 570**	**702**	**612**	**621**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		5.85	5.98	1.66	1.44	1.44
Diluted		5.85	5.98	1.66	1.44	1.44

As of June 2019 the result of Czech building savings bank Českomoravská stavební spořitelna (ČMSS) is fully consolidated, while previously according to the equity method. For more information see note ‘Main changes in the scope of consolidation‘ (note 6.6) further in this report.

At year-end 2019 Nova Ljubljanska banka (‘NLB’) and KBC Insurance NV (‘KBC’) have agreed to sell their respective stakes in the Slovenian 50/50 life insurance joint venture NLB Vita. This will impact the ‘share in results of associated companies and joint ventures’ as of 2020. For more information see note ‘Main changes in the scope of consolidation’ (note 6.6) further in this report.

Overview impact of the overlay approach on the consolidated income statement

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

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to 191 million euros in 2019. It can be summarized as the difference between

- IFRS 9 result (without applying the overlay): 284 million euros of which 288 million euros realized and unrealized fair value adjustments included in ‘net result from financial instruments at fair value through profit or loss’ and -4 million euros income taxes;
- IAS 39 result: 93 million euros including net realized result amounting to 117 million euros and impairment loss of 24 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	2019	2018	4Q 2019	3Q 2019	4Q 2018
RESULT AFTER TAX	2 489	2 570	702	612	621
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	2 489	2 570	702	612	621
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	510	- 425	- 49	93	- 159
Net change in revaluation reserve (FVOCI debt instruments)	411	- 246	- 247	239	- 4
Net change in revaluation reserve (FVPL equity instruments) - overlay	191	- 228	41	11	- 167
Net change in hedging reserve (cashflow hedges)	- 68	76	105	- 73	6
Net change in translation differences	- 18	- 60	68	- 81	19
Hedge of net investments in foreign operations	3	41	- 5	- 2	- 14
Net change in respect of associated companies and joint ventures	- 6	- 7	- 12	4	0
Other movements	- 3	- 2	1	- 5	1
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	127	- 66	124	7	- 91
Net change in revaluation reserve (FVOCI equity instruments)	8	- 6	- 8	5	- 15
Net change in defined benefit plans	119	- 67	131	1	- 81
Net change in own credit risk	- 1	7	0	1	5
Net change in respect of associated companies and joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	3 126	2 079	777	712	372
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	3 126	2 079	778	711	372

The largest movements in other comprehensive income (2019 vs. 2018):

- The revaluation reserve (FV OCI debt instruments) increased in 2019 by 411 million euros, positively impacted by lower interest rates. This also largely explains the negative net change in the hedging reserve (cash flow hedge) of -68 million euros, partly offset by the unwinding effect. In 2018, the revaluation reserve (FV OCI debt instruments) lowered by 246 million euros, negatively impacted by higher interest rates (a.o. Italy and to a lesser extent Belgium) and the unwinding effect (the latter also partly explains the positive net change in the hedging reserve (cash flow hedge) +76 million euros).
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the +191 million euros in 2019 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments). In 2018, the -228 million euros can be explained for the largest part by negative fair value movements and to a lesser extent by transfers to net result (gains on disposal partly offset by impairments).
- Net change in translation differences: the -18 million euros in 2019 is relatively stable mainly thanks to y-o-y rather stable FX rates (HUF and CZK) . In 2018 (-60 million euros) is mainly caused by the slight depreciation of the CZK and HUF versus the EUR. This was largely compensated by the hedge of net investment in foreign operations (+41 million euros). The net impact between these two items can mainly be explained by the asymmetrical deferred tax treatment (no tax on net change in translation differences, while deferred tax is calculated on the hedge).
- Net change in defined benefit plans: the +119 million euros in 2019 can be largely explained by the positive return on plan assets partly compensated by lower discount rates. In 2018, the -67 million euros are related mainly to the negative returns on plan assets (weak stock markets in the last quarter).

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2019	31-12-2018
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		8 356	18 691
Financial assets	4.0	273 399	256 916
Amortised cost	*4.0*	*230 639*	*216 792*
Fair value through OCI	*4.0*	*19 037*	*18 279*
Fair value through profit or loss	*4.0*	*23 563*	*21 663*
of which held for trading	*4.0*	*7 266*	*6 426*
Hedging derivatives	*4.0*	*158*	*183*
Reinsurers' share in technical provisions, insurance		121	120
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		478	64
Tax assets		1 396	1 549
Current tax assets		*96*	*92*
Deferred tax assets		*1 300*	*1 457*
Non-current assets held for sale and disposal groups		29	14
Investments in associated companies and joint ventures		25	215
Property, equipment and investment property		3 818	3 299
Goodwill and other intangible assets		1 640	1 330
Other assets		1 474	1 610
TOTAL ASSETS		**290 735**	**283 808**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	248 400	242 626
Amortised cost	*4.0*	*224 093*	*220 671*
Fair value through profit or loss	*4.0*	*23 137*	*20 844*
of which held for trading	*4.0*	*6 988*	*5 834*
Hedging derivatives	*4.0*	*1 171*	*1 111*
Technical provisions, before reinsurance		18 560	18 324
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		- 122	- 79
Tax liabilities		478	380
Current tax liabilities		*98*	*133*
Deferred tax liabilies		*380*	*247*
Liabilities associated with disposal groups		0	0
Provisions for risks and charges		227	235
Other liabilities		2 827	2 689
TOTAL LIABILITIES		270 371	264 175
Total equity	5.10	20 365	19 633
Parent shareholders' equity	5.10	18 865	17 233
Additional tier-1 instruments included in equity	5.10	1 500	2 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		**290 735**	**283 808**

As of June 2019 the balance sheet contains figures of the Czech building savings bank Českomoravská stavební spořitelna (ČMSS), of which the remaining 45% stake was acquired in May 2019 resulting in full consolidation (before: equity method). For more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

At year-end 2019 Nova Ljubljanska banka ('NLB') and KBC Insurance NV ('KBC') have agreed to sell their respective stakes in the Slovenian 50/50 life insurance joint venture NLB Vita. For more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Revalu-ation reserve (AFS assets)	Revalu-ation reserve (FVOCI debt instru-ments)	Revalu-ation reserve (FVPL equity instru-ments) - overlay	Revalu-ation reserve (FVOCI equity instru-ments)	Hedging reserve (cash-flow hedges)	Trans-lation diffe-rences	Hedge of net invest-ments in foreign opera-tions	Remeas-urement of defined benefit plans	Own credit risk through OCI	Total revalu-ation reserves	Parent share-holders' equity	Additional tier-1 instru-ments included in equity	Minority interests	Total equity
2019																		
Balance at the end of the previous period	1 457	5 482	- 3	10 901	-	586	159	22	- 1 263	- 73	86	- 119	- 3	- 605	17 233	2 400	0	19 633
Net result for the period	0	0	0	2 489	-	0	0	0	0	0	0	0	0	0	2 489	0	0	2 489
Other comprehensive income for the period	0	0	0	- 3	-	406	191	9	- 68	- 19	3	119	- 1	640	637	0	0	637
Subtotal	0	0	0	2 486	-	406	191	9	- 68	- 19	3	119	- 1	640	3 126	0	0	3 126
Dividends	0	0	0	- 1 457	-	0	0	0	0	0	0	0	0	0	- 1 457	0	0	- 1 457
Coupon on AT1	0	0	0	- 52	-	0	0	0	0	0	0	0	0	0	- 52	0	0	- 52
Issue or call of AT1 included in equity	0	0	0	- 2	-	0	0	0	0	0	0	0	0	0	- 2	- 900	0	- 902
Capital increase	1	15	0	0	-	0	0	0	0	0	0	0	0	0	16	0	0	16
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 1	-	0	0	1	0	0	0	0	0	1	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	-	0	0	0	0	0	0	0	0	0	0	0	0	0
Liquidation of treasury shares	0	0	0	0	-	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	-	0	0	0	0	0	0	0	0	0	0	0	0	0
Total change	1	15	0	974	-	406	191	10	- 68	- 19	3	119	- 1	641	1 632	- 900	0	732
Balance at the end of the period	1 458	5 498	- 2	11 875	-	992	350	32	- 1 331	- 92	89	0	- 4	37	18 865	1 500	0	20 365
of which relating to the equity method					-	0	0	2	0	0	0	0	0	2	2			2
2018																		
Balance at the end of the previous period	1 456	5 467	- 5	10 101	1 751	0	0	0	- 1 339	- 11	45	- 52	- 10	383	17 403	1 400	0	18 803
Impact of the first-time adoption of IFRS 9	0	0	0	- 247	- 1 751	837	387	29	0	0	0	0	0	- 499	- 746	0	0	- 746
Balance at the beginning of the period after impact IFRS 9	1 456	5 467	- 5	9 854	0	837	387	29	- 1 339	- 11	45	- 52	- 10	- 116	16 657	1 400	0	18 057
Net result for the period	0	0	0	2 570	0	0	0	0	0	0	0	0	0	0	2 570	0	0	2 570
Other comprehensive income for the period	0	0	0	- 2	0	- 251	- 228	- 6	76	- 61	41	- 67	7	- 489	- 491	0	0	- 491
Subtotal	0	0	0	2 568	0	- 251	- 228	- 6	76	- 61	41	- 67	7	- 489	2 079	0	0	2 079
Dividends	0	0	0	- 1 253	0	0	0	0	0	0	0	0	0	0	- 1 253	0	0	- 1 253
Coupon on AT1	0	0	0	- 70	0	0	0	0	0	0	0	0	0	0	- 70	0	0	- 70
Issue of AT1 included in equity	0	0	0	- 5	0	0	0	0	0	0	0	0	0	0	- 5	1 000	0	995
Capital increase	1	15	0	0	0	0	0	0	0	0	0	0	0	0	16	0	0	16
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 12	0	0	0	0	0	0	0	0	0	0	- 12	0	0	- 12
Purchase/sale of treasury shares	0	0	- 179	0	0	0	0	0	0	0	0	0	0	0	- 179	0	0	- 179
Liquidation of treasury shares	0	0	181	- 181	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total change	1	15	2	1 047	0	- 251	- 228	- 6	76	- 61	41	- 67	7	- 489	576	1 000	0	1 576
Balance at the end of the period	1 457	5 482	- 3	10 901	0	586	159	22	- 1 263	- 73	86	- 119	- 3	- 605	17 233	2 400	0	19 633
of which relating to the equity method					0	5	0	1	0	14	0	0	0	20	20			20

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).

Please note that, subject to approval of the General Meeting of Shareholders in May of this year, the total dividend for 2019 will amount to 3.5 euros per share (with 1 euro per share having already been paid as an interim dividend), before withholding tax.

Also a buy-back of maximum 5.5 million shares will be proposed to the General Meeting of Shareholders. This will lead to a CET1 ratio (after capital distribution) of approximately 15.7%. The formal decision to execute a share buy-back is subject to a prior approval of the ECB.

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.

2018

The ‘Dividends’ item in 2018 includes:

- the closing dividend of 2 euros per share for 2017 (a total of 837 million euros has been deducted from retained earnings in 2Q 2018)
- an interim dividend of 1 euro per share (416 million euros in total), as an advance on the final dividend for 2018 (payment date 16 November 2018)

The line ‘Liquidation of treasury shares’ in 2018 includes:

- a total number of 2 700 000 of own shares were bought under the share buy-back program for a total amount of 181 million euros, which were subsequently cancelled.

Consolidated cash flow statement

More details will be available in the annual report of 2019

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2018)

The condensed interim financial statements of the KBC Group for the period ended 31 December 2019 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 2018, 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 2019 and have been applied in this report:

- IFRS 16:
  - In January 2016, the IASB issued IFRS 16 (Leases), which became effective on 1 January 2019. The new standard does not significantly change the accounting treatment of leases for lessors and, therefore, its impact is limited for KBC (given that it is mainly a lessor and not a lessee). The impact of the first-time application of IFRS 16 on the common equity ratio was limited to -6 basis points.
- IAS 39:
  - In the context of the IBOR reform, the IASB has issued certain amendments to IAS 39. These amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. KBC has decided to early adopt these amendments.

The following IFRS standards were issued but not yet effective in 2019. 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 (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 will become effective for reporting periods beginning on or after 1 January 2022 (subject to EU endorsement), with comparative figures being required. An impact study is an inherent part of the IFRS 17 project that is currently underway at KBC.

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

Summary of significant accounting policies (note 1.2 in the annual accounts 2018)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2018.

- IFRS 16:
  - All leases need to be classified as either finance lease or operating lease. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.

    This classification is crucial for lessor positions; for lessee positions, this classification is of lesser importance since both classifications result in a similar recognition and measurement of the lease in the balance sheet and profit or loss.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2018)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2018.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
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**
on financial assets at amortised cost and at fair value through OCI	*- 241*	*- 12*	*18*	*1*	*- 11*	*- 5*	*33*	*32*	***- 203***
on goodwill	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
other	*- 4*	*- 4*	*- 6*	*- 2*	*0*	*- 4*	*0*	*0*	***- 14***
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**
2018									
Net interest income	2 576	1 043	896	*243*	*211*	*151*	*291*	29	**4 543**
Non-life insurance (before reinsurance)	527	103	117	*42*	*25*	*50*	*0*	12	**760**
Earned premiums	*1 070*	*248*	*254*	*109*	*41*	*104*	*0*	*10*	***1 582***
Technical charges	*- 543*	*- 145*	*- 137*	*- 67*	*- 16*	*- 54*	*0*	*2*	***- 822***
Life insurance (before reinsurance)	- 110	58	34	*10*	*13*	*12*	*0*	- 1	**- 18**
Earned premiums	*998*	*260*	*101*	*17*	*53*	*32*	*0*	*0*	***1 359***
Technical charges	*- 1 108*	*- 202*	*- 67*	*- 6*	*- 40*	*- 20*	*0*	*0*	***- 1 377***
Ceded reinsurance result	- 26	- 8	- 11	*- 3*	*- 2*	*- 6*	*0*	4	**- 41**
Dividend income	74	1	0	*0*	*0*	*0*	*0*	7	**82**
Net result from financial instruments at fair value through profit or loss	101	72	74	*60*	*6*	*13*	*- 5*	- 17	**231**
Net realised result from debt instruments at fair value through OCI	0	0	0	*- 1*	*0*	*1*	*0*	9	**9**
Net fee and commission income	1 182	257	284	*197*	*59*	*29*	*- 1*	- 3	**1 719**
Net other income	225	14	17	*15*	*4*	*- 1*	*- 1*	- 30	**226**
TOTAL INCOME	4 549	1 540	1 412	*565*	*316*	*248*	*284*	11	**7 512**
Operating expenses	- 2 484	- 729	- 909	*- 345*	*- 205*	*- 143*	*- 216*	- 112	**- 4 234**
Impairment	- 93	- 42	118	*9*	*- 4*	*1*	*111*	35	**17**
on financial assets at amortised cost and at fair value through OCI	*- 91*	*- 8*	*127*	*9*	*- 4*	*10*	*112*	*35*	***62***
on goodwill	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
other	*- 2*	*- 34*	*- 9*	*- 1*	*0*	*- 9*	*0*	*0*	***- 45***
Share in results of associated companies and joint ventures	- 8	19	5	*0*	*0*	*1*	*0*	0	**16**
RESULT BEFORE TAX	1 963	788	626	*228*	*107*	*107*	*180*	- 67	**3 310**
Income tax expense	- 513	- 134	- 93	*- 32*	*- 25*	*- 11*	*- 24*	0	**- 740**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	1 450	654	533	*196*	*82*	*96*	*155*	- 67	**2 570**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	1 450	654	533	*196*	*82*	*96*	*155*	- 67	**2 570**

Other notes

Net interest income (note 3.1 in the annual accounts 2018)

(in millions of EUR)	2019	2018	4Q 2019	3Q 2019	4Q 2018
Total	**4 618**	**4 543**	**1 182**	**1 174**	**1 166**
Interest income	**7 244**	**6 996**	**1 809**	**1 806**	**1 848**
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	5 536	5 274	1 389	1 404	1 365
Financial assets at FVOCI	333	380	83	84	89
Hedging derivatives	486	379	107	132	82
Financial liabilities (negative interest)	51	53	14	13	14
Other	15	20	4	0	8
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	8	8	3	2	2
Financial assets held for trading	816	883	210	171	288
Of which economic hedges	*789*	*856*	*203*	*165*	*280*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	**-2 626**	**-2 453**	**- 627**	**- 632**	**- 682**
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	-1 276	-1 166	- 311	- 294	- 349
Financial assets (negative interest)	- 70	- 123	- 10	- 12	- 28
Hedging derivatives	- 663	- 584	- 166	- 167	- 155
Other	- 6	- 3	- 2	- 2	- 1
Interest expense on other financial instruments					
Financial liabilities held for trading	- 563	- 543	- 127	- 145	- 140
Of which economic hedges	*- 525*	*- 516*	*- 117*	*- 134*	*- 133*
Other financial liabilities at FVPL	- 40	- 29	- 10	- 10	- 8
Net interest expense relating to defined benefit plans	- 8	- 6	- 2	- 2	- 2

Note: reclassification in 4Q 2018 and FY 2018 of respectively 7 and 44 million euros from interest income on financial assets at fair value through OCI to financial assets at amortised cost (related to the presentation of internal bond lending).

In order to improve transparency, we adjusted the above table by separately showing the negative interest on financial liabilities and financial assets. The vast majority of this negative interest relates to transactions with central banks, interbank and professional counterparties as well as the TLTRO.

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2018)

The result from financial instruments at fair value through profit or loss in 4Q 2019 is 176 million euros higher compared to 3Q 2019. The quarter-on-quarter increase is due to:

- Positive market value adjustments in 4Q 2019 compared to negative market value adjustments in 3Q 2019
- Higher dealing room income mainly in Belgium
- Higher net result on equity instruments (insurance)
- Positive MTM ALM derivatives in 4Q 2019 compared to slightly negative MTM ALM derivatives in 3Q 2019

Compared to 4Q 2018, the result from financial instruments at fair value through profit or loss is 128 million euros higher in 4Q 2019, for a large part explained by:

- Positive market value adjustments in 4Q 2019 compared to negative market value adjustments in 4Q 2018
- Positive net result on equity instruments (insurance) in 4Q 2019, which were slightly negative in 4Q 2018

Partly offset by:

- Lower MTM ALM derivatives
- Lower dealing room income in Czech Republic, not fully compensated by higher dealing room income in Belgium

The result from financial instruments at fair value through profit or loss in 2019 is 49 million euros lower compared to 2018, for a large part explained by:

- Lower dealing room income in Czech Republic not fully compensated by higher dealing room income in Belgium
- Slightly negative MTM ALM derivatives in 2019 compared to positive MTM ALM derivatives in 2018

Only partly compensated by:

- Slightly positive market value adjustments in 2019 compared to negative market value adjustments in 2018
- Higher net results on equity instruments (insurance)

Net fee and commission income (note 3.5 in the annual accounts 2018)

(in millions of EUR)	2019	2018	4Q 2019	3Q 2019	4Q 2018
Total	1 734	1 719	445	444	407
Fee and commission income	2 476	2 456	643	629	602
Fee and commission expense	- 741	- 737	- 198	- 185	- 196
Breakdown by type					
Asset Management Services	1 088	1 110	279	275	255
Fee and commission income	1 145	1 168	295	288	271
Fee and commission expense	- 57	- 58	- 16	- 13	- 16
Banking Services	930	883	243	237	225
Fee and commission income	1 266	1 226	331	326	316
Fee and commission expense	- 336	- 343	- 87	- 89	- 91
Distribution	- 284	- 274	- 77	- 68	- 74
Fee and commission income	64	62	17	15	15
Fee and commission expense	- 348	- 336	- 95	- 83	- 89

Net other income (note 3.6 in the annual accounts 2018)

(in millions of EUR)	2019	2018	4Q 2019	3Q 2019	4Q 2018
Total	282	226	47	43	76
of which gains or losses on					
Sale of financial assets measured at amortised cost	14	15	4	7	- 2
Repurchase of financial liabilities measured at amortised cost	9	0	0	9	0
of which other, including:	259	212	44	27	78
Income from (mainly operational) leasing activities, KBC Lease Group	72	69	16	16	15
Income from VAB Group	41	57	8	11	13
One-off effect revaluation of 55% share in CMSS	82	0	0	0	0
Settlement of legacy legal cases	9	18	0	3	33
Provisioning for tracker mortgage review	- 23	0	- 1	- 18	0

Notes :

- 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 (for more info see Note 6.6 further in this report)
- Settlement of legacy legal cases concerns Czech Republic (+6 million euros in 1Q 2019), Belgium (+18 million euros in 1Q 2018 and +33 million euros in 4Q 2018) and Group Centre (+3 million euros in 3Q 2019, -38 million euros in 2Q 2018 and +5 million euros in 3Q 2018).
- Provision for tracker mortgage review in KBC Bank Ireland of -18 million euros in 3Q 2019 includes the recognition of a provision for a potential sanction of -14 million euros.

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2018)

(in millions of EUR)	Life	Non-life	Non-technical account	Total
2019				
Earned premiums, insurance (before reinsurance)	1 324	1 741	-	3 065
Technical charges, insurance (before reinsurance)	- 1 329	- 967	-	- 2 296
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**
2018				
Earned premiums, insurance (before reinsurance)	1 361	1 601	-	2 962
Technical charges, insurance (before reinsurance)	- 1 377	- 824	-	- 2 201
Net fee and commission income	- 29	- 311	-	- 339
Ceded reinsurance result	- 2	- 39	-	- 41
General administrative expenses	- 150	- 251	- 3	- 404
Internal claims settlement expenses	- 9	- 59	-	- 67
Indirect acquisition costs	- 31	- 70	-	- 100
Administrative expenses	- 111	- 123	-	- 234
Investment management fees	0	0	- 3	- 3
Technical result	- 196	176	- 3	- 23
Investment Income	506	79	39	625
Technical-financial result	310	255	36	601
Share in results of associated companies and joint ventures	-	-	4	4
RESULT BEFORE TAX	310	255	40	605
Income tax expense	-	-	-	- 146
RESULT AFTER TAX	-	-	-	459
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**459**

(*)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 2018 annual accounts).

In 2019 the technical result non-life was negatively impacted by major claims mainly in first half of 2019.

Operating expenses – income statement (note 3.8 in the annual accounts 2018)

The operating expenses for 4Q 2019 include 51 million euros related to bank (and insurance) levies (28 million euros in 3Q 2019; 41 million euros in 4Q 2018, 491 million euros in 2019 and 462 million euros in 2018). 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 2018)

(in millions of EUR)	2019	2018	4Q 2019	3Q 2019	4Q 2018
Total	**- 217**	**17**	**- 82**	**- 26**	**- 43**
Impairment on financial assets at AC and at FVOCI	- 203	62	- 75	- 25	- 30
Of which impairment on financial assets at AC	- 204	59	- 75	- 26	- 30
By product					
Loans and advances	- 182	43	- 68	- 19	- 39
Debt securities	- 1	1	0	0	- 1
Off-balance-sheet commitments and financial guarantees	- 21	15	- 7	- 7	9
By type					
Stage 1 (12-month ECL)	- 20	- 21	5	- 8	- 2
Stage 2 (lifetime ECL)	48	37	37	14	4
Stage 3 (non-performing; lifetime ECL)	- 237	56	- 118	- 32	- 31
Purchased or originated credit impaired assets	6	- 13	1	0	- 2
Of which impairment on financial assets at FVOCI	1	3	0	1	0
Debt securities	1	3	0	1	0
Stage 1 (12-month ECL)	0	2	0	1	0
Stage 2 (lifetime ECL)	1	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	- 14	- 45	- 7	- 1	- 13
Intangible fixed assets (other than goodwill)	- 6	0	- 3	0	0
Property, plant and equipment (including investment property)	- 3	- 45	- 2	0	- 13
Associated companies and joint ventures	0	0	0	0	0
Other	- 5	0	- 3	- 1	0

The stage 3 impairments in 2019 are attributable mainly to loan loss impairments in Belgium due to a number of corporate files.

Income tax expense – income statement (note 3.12 in the annual accounts 2018)

One-off gain in income tax in 2Q 2019: a positive impact of 34m in income tax is linked to the new hedging policy of FX participations.

As a result of this new hedging policy, a substantial part of the existing hedges have been terminated. While the FX result on the termination of these hedges remains in OCI, the income tax impact is included in the income statement.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2018)

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO	Hedging deriva-tives	Total	Pro Forma excl. CMSS
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	5 399
Loans and advances to customers (excl. reverse repos)	155 598	0	218	0	0	0	0	155 816	151 171
Trade receivables	1 885	0	0	0	0	0	0	1 885	1 885
Consumer credit	5 383	0	122	0	0	0	0	5 505	4 537
Mortgage loans	67 711	0	85	0	0	0	0	67 796	64 141
Term loans	68 867	0	10	0	0	0	0	68 877	68 856
Finance lease	5 926	0	0	0	0	0	0	5 926	5 926
Current account advances	4 979	0	0	0	0	0	0	4 979	4 979
Other	847	0	0	0	0	0	0	847	847
Reverse repos	25 596	0	0	0	0	0	0	25 596	24 940
with credit institutions and investment firms	25 445	0	0	0	0	0	0	25 445	24 789
with customers	151	0	0	0	0	0	0	151	151
Equity instruments	0	249	7	1 431	833	0	0	2 519	2 519
Investment contracts (insurance)	0	0	14 584	0	0	0	0	14 584	14 584
Debt securities issued by	42 998	18 788	58	0	1 269	0	0	63 114	62 849
Public bodies	37 024	12 370	0	0	1 149	0	0	50 542	50 278
Credit institutions and investment firms	3 632	2 753	0	0	20	0	0	6 405	6 405
Corporates	2 343	3 666	58	0	99	0	0	6 167	6 167
Derivatives	0	0	0	0	5 163	0	158	5 322	5 322
Other	1 049	0	0	0	0	0	0	1 049	1 049
Total	230 639	19 037	14 867	1 431	7 266	0	158	273 399	267 833
FINANCIAL ASSETS, 31-12-2018									
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 069	0	0	0	0	0	0	5 070	
Loans and advances to customers (excl. reverse repos)	146 954	0	85	0	0	13	0	147 052	
Trade receivables	4 197	0	0	0	0	0	0	4 197	
Consumer credit	4 520	0	0	0	0	0	0	4 520	
Mortgage loans	60 766	0	71	0	0	0	0	60 837	
Term loans	65 717	0	14	0	0	13	0	65 744	
Finance lease	5 618	0	0	0	0	0	0	5 618	
Current account advances	5 527	0	0	0	0	0	0	5 527	
Other	609	0	0	0	0	0	0	609	
Reverse repos	21 133	0	0	0	0	0	0	21 134	
with credit institutions and investment firms	20 976	0	0	0	0	0	0	20 977	
with customers	157	0	0	0	0	0	0	157	
Equity instruments	0	258	11	1 238	763	0	0	2 271	
Investment contracts (insurance)	0	0	13 837	0	0	0	0	13 837	
Debt securities issued by	41 649	18 020	54	0	714	0	0	60 437	
Public bodies	35 710	12 025	0	0	557	0	0	48 292	
Credit institutions and investment firms	3 032	2 579	0	0	76	0	0	5 687	
Corporates	2 907	3 417	54	0	81	0	0	6 458	
Derivatives	0	0	0	0	4 942	0	183	5 124	
Other	1 986	0	0	0	6	0	0	1 992	
Total	216 792	18 279	13 986	1 238	6 426	13	183	256 916	

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total	*Pro Forma excl. CMSS*
FINANCIAL LIABILITIES, 31-12-2019						
Deposits from credit institutions and investment firms	18 731	0	0	0	**18 731**	*18 731*
Deposits from customers and debt securities (excl. repos)	200 607	223	2 539	0	**203 369**	*197 930*
Demand deposits	85 626	0	0	0	**85 626**	*85 626*
Time deposits	15 271	39	184	0	**15 494**	*15 494*
Savings accounts	69 057	0	0	0	**69 057**	*63 619*
Special deposits	2 465	0	0	0	**2 465**	*2 465*
Other deposits	542	0	0	0	**542**	*541*
Certificates of deposit	10 538	0	8	0	**10 546**	*10 546*
Savings certificates	1 025	0	0	0	**1 025**	*1 025*
Non-convertible bonds	13 756	183	2 200	0	**16 139**	*16 139*
Non-convertible subordinated liabilities	2 327	0	147	0	**2 474**	*2 474*
Repos	2 565	0	0	0	**2 565**	*2 565*
with credit institutions and investment firms	2 262	0	0	0	**2 262**	*2 262*
with customers	302	0	0	0	**303**	*303*
Liabilities under investment contracts	0	0	13 610	0	**13 610**	*13 610*
Derivatives	0	5 057	0	1 171	**6 227**	*6 227*
Short positions	0	1 708	0	0	**1 708**	*1 708*
In equity instruments	0	14	0	0	**14**	*14*
In debt securities	0	1 693	0	0	**1 693**	*1 693*
Other	2 190	0	0	0	**2 190**	*2 161*
Total	224 093	6 988	16 149	1 171	**248 400**	*242 931*
FINANCIAL LIABILITIES, 31-12-2018						
Deposits from credit institutions and investment firms (excl. repos)	23 684	0	0	0	**23 684**	
Deposits from customers and debt securities (excl. repos)	192 004	226	2 061	0	**194 291**	
Demand deposits	79 893	0	0	0	**79 893**	
Time deposits	16 499	49	296	0	**16 844**	
Savings accounts	60 067	0	0	0	**60 067**	
Special deposits	2 629	0	0	0	**2 629**	
Other deposits	211	0	0	0	**211**	
Certificates of deposit	15 575	0	8	0	**15 583**	
Savings certificates	1 700	0	0	0	**1 700**	
Non-convertible bonds	13 029	176	1 572	0	**14 777**	
Non-convertible subordinated liabilities	2 402	0	186	0	**2 588**	
Repos	1 001	0	0	0	**1 001**	
with credit institutions and investment firms	932	0	0	0	**932**	
with customers	69	0	0	0	**69**	
Liabilities under investment contracts	0	0	12 949	0	**12 949**	
Derivatives	0	4 673	0	1 111	**5 784**	
Short positions	0	935	0	0	**935**	
In equity instruments	0	16	0	0	**16**	
In debt securities	0	919	0	0	**919**	
Other	3 982	0	0	0	**3 983**	
Total	220 671	5 834	15 010	1 111	**242 626**	

On June 24, KBC Bank Ireland closed the transaction announced on April 12 to sell its legacy performing corporate loan portfolio of roughly 260 million euros to Bank of Ireland.

We have dealt with the impact of the acquisition of the remaining shares of ČMSS in the pro forma ‘Total excluding ČMSS’ column, which helps provide a clear view of changes in financial assets and liabilities (excluding the acquisition of this company). For more information, please refer to Note 6.6.

In the course of 2Q 2019, the accounting treatment of recourse factoring was reassessed in accordance with IFRS and a change has been made as of 30 June 2019 implying a reduction of 834 million euros in trade receivables and time deposits and a reclassification of funded recourse contracts from trade receivables to term loans amounting to 1 683 million euros.

Deposits from credit institutions and investment firms: in the course of 2019 an amount of 6,5 billion euros of TLTRO II was repaid (4 billion euros in 3Q 2019 and 2,5 billion euros in 4Q 2019) and an amount of 2,5 billion euros was drawn from TLTRO III (in 4Q 2019).

Impaired financial assets (note 4.2.1 in the annual accounts 2018)

			31-12-2019			31-12-2018
(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances (*)	189 446	- 2 855	186 592	176 680	- 3 523	173 157
Stage 1 (12-month ECL)	165 326	- 131	165 195	153 081	- 113	152 969
Stage 2 (lifetime ECL)	18 558	- 254	18 304	16 983	- 305	16 678
Stage 3 (lifetime ECL)	5 381	- 2 444	2 937	6 461	- 3 062	3 399
Purchased or originated credit impaired assets (POCI)	182	- 26	155	154	- 42	112
Debt Securities	43 010	- 12	42 998	41 660	- 11	41 649
Stage 1 (12-month ECL)	42 934	- 5	42 930	41 409	- 5	41 405
Stage 2 (lifetime ECL)	69	- 2	67	244	- 1	243
Stage 3 (lifetime ECL)	7	- 6	1	7	- 6	2
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	18 793	- 5	18 788	18 026	- 6	18 020
Stage 1 (12-month ECL)	18 771	- 4	18 767	17 585	- 4	17 581
Stage 2 (lifetime ECL)	22	- 1	22	441	- 2	439
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)

A large part of the drop in impaired financial assets is related to the accounting write-off (1 billion euros in 2019) for the largest part on certain fully provisioned legacy loans in Ireland.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2018)

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 2018.

(in millions of EUR)				31-12-2019				31-12-2018
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)	15 536	441	320	16 298	14 645	423	156	15 224
Held for trading	1 685	4 381	1 200	7 266	1 018	4 412	996	6 426
Fair value option	0	0	0	0	0	13	0	13
At fair value through OCI	14 945	3 630	463	19 037	13 773	4 066	441	18 280
Hedging derivatives	0	158	0	158	0	183	0	183
Total	32 166	8 611	1 982	42 759	29 436	9 096	1 593	40 125
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 708	3 259	2 021	6 988	831	3 457	1 545	5 834
Designated at fair value	13 610	657	1 883	16 149	12 931	856	1 223	15 010
Hedging derivatives	0	1 171	0	1 171	0	1 111	0	1 111
Total	15 317	5 087	3 903	24 308	13 763	5 424	2 768	21 955

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2018)

In 2019, KBC transferred about 98 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 764 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 2018)

In 2019 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets mandatorily measured at fair value through profit and loss (other than held for trading): the fair value of loans and advances increased by 133 million euros, due primarily to new transactions, partly offset by instruments that had reached maturity. The fair value of equity instruments increased by 30 million euros, mainly as a consequence of new positions.
- Financial assets held for trading: the fair value of derivatives increased by 280 million euros, due primarily to changes in fair value and new transactions, partly offset by instruments that had reached maturity. The fair value of debt securities decreased by 77 million euros, mainly as a consequence of sales of existing positions.
- Financial assets measured at fair value through OCI: the fair value increased by 22 million euros related to debt securities, mainly due to new positions, in part offset by instruments that reached maturity and sales of existing positions.
- Financial liabilities held for trading: the fair value of derivatives increased by 468 million euros, due primarily to changes in fair value and new positions, partly offset by instruments that had reached maturity.
- Financial liabilities designated at fair value: the fair value of debt securities issues increased by 660 million euros, mainly due to new issues, followed by changes in fair value.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2018)

Quantities	31-12-2019	31-12-2018
Ordinary shares	**416 394 642**	**416 155 676**
of which ordinary shares that entitle the holder to a dividend payment	*416 394 642*	*416 155 676*
of which treasury shares	*38 607*	*50 284*
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.

On 17 April 2018, KBC Group NV placed 1 billion euros in Additional Tier-1 (AT1) instruments and on 26 February 2019 KBC Group NV placed 500 million euros Additional Tier-1 securities. Both transactions had no impact on the number of ordinary shares. Both AT1 Securities have been issued in view of a call of the existing 1.4 billion euros AT1 Securities issued in 2014. This call was done on 19 March 2019.

In December 2019 the number of KBC Group NV shares went up by 238 966 to 416 394 642 (in December 2018 by 258 109 to 416 155 676), 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 2018)

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 now fully consolidated (previously equity method).

The consolidated figures in this report incorporate the impact of the acquisition of the 45% stake in ČMSS:

- As of June 2019, the results of ČMSS are fully consolidated into each line of the income statement (before that – hence also in April and May 2019 - the results of ČMSS were booked at 55% in the line 'Share in results of associated companies & joint-ventures').
- The one-off gain of 82 million euros related to the revaluation of the existing 55% stake was booked in the 'Net other income' line.
- On the balance sheet, ČMSS is also fully consolidated as of June 2019 (before that: according to the equity method in the balance sheet caption 'Investments in associated companies and joint ventures').
- We have dealt with the impact of the acquisition on financial assets and liabilities by product in Note 4.1. This note includes an additional pro forma 'Total excluding ČMSS' column, which helps provide a clear view of changes in financial assets and liabilities (excluding the acquisition of this company).
- KBC recognised goodwill of 167 million euros in its consolidated financial statements
- The transaction has an impact of -0.3 percentage points on KBC Group's Common Equity Tier 1 ratio.
- The table below provides the fair value of the main assets and liabilities involved in the acquisition of ČMSS, as well as the contribution of ČMSS to the group's income statement for 12M 2019.

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

(in millions of EUR)	2019	4Q 2019	3Q 2019
Net interest income	49	21	21
Interest income	*96*	*41*	*41*
Interest expense	*- 48*	*- 20*	*- 20*
Dividend income	0	0	0
Net result from financial instruments at fair value through profit or loss	1	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0
Net fee and commission income	15	6	6
Fee and commission income	*21*	*10*	*8*
Fee and commission expense	*- 7*	*- 4*	*- 2*
Net other income	82	0	0
TOTAL INCOME	146	28	27
Operating expenses	- 30	- 14	- 11
Staff expenses	*- 12*	*- 5*	*- 5*
General administrative expenses	*- 11*	*- 6*	*- 3*
Depreciation and amortisation of fixed assets	*- 7*	*- 3*	*- 3*
Impairment	- 3	0	- 2
on financial assets at AC and at FVOCI	*- 3*	*1*	*- 2*
Share in results of associated companies and joint ventures	9	0	0
RESULT BEFORE TAX	121	14	14
Income tax expense	- 6	- 2	- 3
RESULT AFTER TAX	116	12	11
attributable to equity holders of the parent	116	12	11

At year-end 2019 Nova Ljubljanska banka ('NLB') and KBC Insurance NV ('KBC') have agreed to sell their respective stakes in the Slovenian 50/50 life insurance joint venture **NLB Vita** to Sava Re. The transaction, which is expected to close in in the second quarter of 2020, is subject to regulatory approvals, and will have a negligible impact on KBC Group's results.

At year-end 2019 NLB Vita classifies under IFRS 5 and thus is presented on the balance sheet under 'non-current assets held for sale and disposal groups' (equity method).

<u>In 2018 (both in 1Q 2018)</u> :

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

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

Post-balance sheet events (note 6.8 in the annual accounts 2018)

Significant non-adjusting events between the balance sheet date (31 December 2019) and the publication of this report (13 February 2020):

none.

KBC Group

Additional Information
4Q 2019 and FY 2019

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 2018)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-12-2019	31-12-2018
Portfolio outstanding + undrawn [1]	218	205
Portfolio outstanding [1]	175	165
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	64%	66%
Czech Republic	18%	16%
International Markets	16%	16%
Group Centre	2%	2%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	41.7%	39.9%
Finance and insurance	7.6%	7.4%
Authorities	2.9%	3.5%
Corporates	47.7%	49.2%
services	10.9%	11.2%
distribution	7.3%	7.5%
real estate	6.4%	6.6%
building & construction	3.9%	4.1%
agriculture, farming, fishing	2.7%	2.7%
automotive	2.6%	2.5%
food producers	1.7%	1.7%
electricity	1.6%	1.6%
metals	1.4%	1.6%
chemicals	1.3%	1.3%
machinery & heavy equipment	1.0%	1.1%
shipping	0.8%	0.9%
hotels, bars & restaurants	0.7%	0.7%
oil, gas & other fuels	0.6%	0.6%
traders	0.6%	0.9%
textile & apparel	0.6%	0.6%
electrotechnics	0.5%	0.6%
other [2]	3.1%	3.0%
Total outstanding loan portfolio geographical breakdown		
Home countries	86.4%	86.6%
Belgium	52.9%	55.0%
Czech Republic	17.6%	15.0%
Ireland	5.9%	6.5%
Slovakia	4.9%	5.0%
Hungary	3.1%	3.2%
Bulgaria	2.0%	2.0%
Rest of Western Europe	8.6%	7.9%
France	2.7%	2.0%
Netherlands	1.6%	1.7%
Great Britain	1.1%	1.1%
Spain	0.4%	0.5%
Luxemburg	0.8%	0.7%
Germany	0.8%	0.7%
other	1.2%	1.3%
Rest of Central Europe	0.4%	0.5%
Russia	0.1%	0.1%
other	0.3%	0.4%
North America	1.5%	1.4%
USA	1.0%	1.1%
Canada	0.5%	0.3%
Asia	1.5%	1.6%
China	0.9%	0.9%
Hong Kong	0.2%	0.2%
Singapore	0.1%	0.2%
other	0.3%	0.3%
Rest of the world	1.6%	1.9%

	31-12-2019	31-12-2018
Loan portfolio by IFRS 9 ECL stage (part of portfolio, as % of the portfolio of credit outstanding)		
Stage 1 (credit risk has not increased significantly since initial recognition)	85%	84%
of which: PD 1 - 4	63%	63%
of which: PD 5 - 9 including unrated	23%	21%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	11%	12%
of which: PD 1 - 4	3%	4%
of which: PD 5 - 9 including unrated	8%	8%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	4%	4%
of which: PD 10 impaired loans	2%	2%
of which: more than 90 days past due (PD 11+12)	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	6 160	7 151
of which: more than 90 days past due	3 401	4 099
Ratio of impaired loans, per business unit		
Belgium	2.4%	2.6%
Czech Republic	2.3%	2.4%
International Markets	8.5%	12.2%
Group Centre	12.4%	12.0%
Total	3.5%	4.3%
of which: more than 90 days past due	1.9%	2.5%
Stage 3 loan loss impairments (in millions of EUR) and Cover ratio (%)		
Stage 3 loan loss impairments	2 584	3 203
of which: more than 90 days past due	2 050	2 695
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	42%	45%
of which: more than 90 days past due	60%	66%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	50%	49%
of which: more than 90 days past due	72%	74%
Credit cost, by business unit (%)		
Belgium	0.22%	0.09%
Czech Republic	0.04%	0.03%
International Markets	-0.07%	-0.46%
Slovakia	0.14%	0.06%
Hungary	-0.02%	-0.18%
Bulgaria	0.14%	-0.31%
Ireland	-0.32%	-0.96%
Group Centre	-0.88%	-0.83%
Total	0.12%	-0.04%

[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 2018 - 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
31-12-2019, in millions of EUR

	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**104 624**			**7 768**			**112 392**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	36 554	34.9%		7 768	100.0%		44 323	39.4%	
retail	68 070	65.1%		0	0.0%		68 070	60.6%	
o/w private	37 001	35.4%		0	0.0%		37 001	32.9%	
o/w companies	31 068	29.7%		0	0.0%		31 068	27.6%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	35 304	33.7%	56%	0	0.0%	-	35 304	31.4%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w ind. LTV > 100%	605	0.6%	-	0	0.0%	-	605	0.5%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	79 877	76.3%		4 572	58.9%		84 449	75.1%	
medium risk (PD 5-7; 0.80%-6.40%)	18 865	18.0%		2 882	37.1%		21 747	19.3%	
high risk (PD 8-9; 6.40%-100.00%)	2 993	2.9%		139	1.8%		3 132	2.8%	
impaired loans (PD 10 - 12)	2 507	2.4%		173	2.2%		2 680	2.4%	
unrated	382	0.4%		3	0.0%		385	0.3%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 507	1 004	40.1%	173	114	66.1%	2 680	1 118	41.7%
o/w PD 10 impaired loans	1 354	286	21.1%	108	60	55.4%	1 461	346	23.6%
o/w more than 90 days past due (PD 11+12)	1 154	718	62.3%	65	54	84.0%	1 219	773	63.4%
all impairments (stage 1+2+3)	1 187			131			1 318		
o/w stage 1+2 impairments (incl. POCI)	183			17			199		
o/w stage 3 impairments (incl. POCI)	1 004			114			1 118		
2018 Credit cost ratio (CCR)	0.10%			-0.05%			0.09%		
2019 Credit cost ratio (CCR)	0.20%			0.41%			0.22%		

Remarks

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

Loan portfolio Business Unit Czech Republic

31-12-2019, in millions of EUR

Total portfolio outstanding	**32 325**		
Counterparty break down		% outst.	
SME / corporate	8 867	27.4%	
retail	23 458	72.6%	
o/w private	18 524	57.3%	
o/w companies	4 934	15.3%	
Mortgage loans		% outst.	ind. LTV
total	16 196	50.1%	61%
o/w FX mortgages	0	0.0%	-
o/w ind. LTV > 100%	278	0.9%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	18 985	58.7%	
medium risk (PD 5-7; 0.80%-6.40%)	11 377	35.2%	
high risk (PD 8-9; 6.40%-100.00%)	1 220	3.8%	
impaired loans (PD 10 - 12)	729	2.3%	
unrated	14	0.0%	
Overall risk indicators [1]		stage 3 imp.	% cover
outstanding impaired loans	729	344	47.2%
o/w PD 10 impaired loans	317	74	23.5%
o/w more than 90 days past due (PD 11+12)	412	270	65.5%
all impairments (stage 1+2+3)	449		
o/w stage 1+2 impairments (incl. POCI)	105		
o/w stage 3 impairments (incl. POCI)	344		
2018 Credit cost ratio (CCR)	0.03%		
2019 Credit cost ratio (CCR)	0.04%		

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets
31-12-2019, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 104**			**8 215**			**5 442**			**3 529**			**27 291**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	24	0.2%		3 039	37.0%		3 272	60.1%		1 165	33.0%		7 499	27.5%	
retail	10 081	99.8%		5 176	63.0%		2 171	39.9%		2 364	67.0%		19 791	72.5%	
o/w private	10 048	99.4%		4 214	51.3%		2 008	36.9%		1 351	38.3%		17 621	64.6%	
o/w companies	33	0.3%		962	11.7%		163	3.0%		1 013	28.7%		2 170	8.0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	9 979	98.8%	67%	3 706	45.1%	65%	1 635	30.0%	66%	719	20.4%	65%	16 039	58.8%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	5	0.1%	102%	88	2.5%	68%	94	0.3%	
o/w ind. LTV > 100%	712	7.0%	-	26	0.3%	-	98	1.8%	-	33	0.9%	-	869	3.2%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	957	9.5%		5 048	61.5%		2 643	48.6%		989	28.0%		9 638	35.3%	
medium risk (PD 5-7; 0.80%-6.40%)	6 663	65.9%		2 392	29.1%		2 420	44.5%		1 875	53.1%		13 351	48.9%	
high risk (PD 8-9; 6.40%-100.00%)	828	8.2%		613	7.5%		225	4.1%		289	8.2%		1 955	7.2%	
impaired loans (PD 10 - 12)	1 656	16.4%		141	1.7%		153	2.8%		375	10.6%		2 325	8.5%	
unrated	0	0.0%		21	0.3%		1	0.0%		0	0.0%		22	0.1%	
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	1 656	408	24.6%	141	99	69.8%	153	85	55.7%	375	167	44.6%	2 325	759	32.7%
o/w PD 10 impaired loans	798	71	8.9%	22	8	34.5%	40	14	36.3%	65	9	13.2%	926	102	11.0%
o/w more than 90 days past due (PD 11+12)	857	337	39.3%	119	91	76.5%	113	71	62.6%	310	159	51.2%	1 399	657	47.0%
all impairments (stage 1+2+3)	423			145			106			190			864		
o/w stage 1+2 impairments (incl. POCI)	15			46			21			23			105		
o/w stage 3 impairments (incl. POCI)	408			99			85			167			759		
2018 Credit cost ratio (CCR)	-0.96%			0.06%			-0.18%			-0.31%			-0.46%		
2019 Credit cost ratio (CCR)	-0.32%			0.14%			-0.02%			0.14%			-0.07%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre
31-12-2019, in millions of EUR

Total portfolio outstanding	**3 422**		
Counterparty break down		% outst.	
SME / corporate	3 422	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	0	0.0%	-
o/w ind. LTV > 100%	0	0.0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 799	81.8%	
medium risk (PD 5-7; 0.80%-6.40%)	153	4.5%	
high risk (PD 8-9; 6.40%-100.00%)	44	1.3%	
impaired loans (PD 10 - 12)	426	12.4%	
unrated	0	0.0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	426	363	85.1%
o/w PD 10 impaired loans	54	13	23.2%
o/w more than 90 days past due (PD 11+12)	372	350	94.1%
all impairments (stage 1+2+3)	371		
o/w stage 1+2 impairments (incl. POCI)	8		
o/w stage 3 impairments (incl. POCI)	363		
2018 Credit cost ratio (CCR)	-0.83%		
2019 Credit cost ratio (CCR)	-0.88%		

Remarks

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

Solvency

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

Solvency KBC Group

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 92% of the weighted credit risks, of which approx. 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 minimum CET1 requirement that KBC is to uphold is set at 10.7% (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 0.45% Countercycle Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

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) 31-12-2019		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	15 948	99 071	16.10%
Deduction Method	Fully loaded	15 078	93 936	16.05%
Financial Conglomerates Directive	Fully loaded	16 610	111 526	14.89%

Danish Compromise

In millions of EUR	31-12-2019 Fully loaded	31-12-2018 Fully loaded
Total regulatory capital (after profit appropriation)	19 378	18 217
Tier-1 capital	17 448	16 150
Common equity	15 948	15 150
Parent shareholders' equity (after deconsolidating KBC Insurance)	17 933	16 992
Intangible fixed assets (incl deferred tax impact) (-)	- 726	- 584
Goodwill on consolidation (incl deferred tax impact) (-)	- 766	- 602
Minority interests	0	0
Hedging reserve (cash flow hedges) (-)	1 331	1 263
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 9	- 14
Value adjustment due to the requirements for prudent valuation (-)	- 54	- 63
Dividend payout (-)	- 1 041	- 1 040
Renumeration of AT1 instruments (-)	- 11	- 7
Deduction re. financing provided to shareholders (-)	- 57	- 91
Deduction re. Irrevocable payment commitments (-)	- 45	- 32
IRB provision shortfall (-)	- 140	- 100
Deferred tax assets on losses carried forward (-)	- 467	- 571
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0
Additional going concern capital	1 500	1 000
CRR compliant AT1 instruments	1 500	1 000
Minority interests to be included in additional going concern capital	0	0
Tier 2 capital	1 930	2 067
IRB provision excess (+)	130	204
Subordinated liabilities	1 800	1 864
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier 2 capital	0	0
Total weighted risk volume	99 071	94 875
Banking	89 838	85 474
Insurance	9 133	9 133
Holding activities	124	302
Elimination of intercompany transactions	- 25	- 34
Solvency ratios (*)		
Common equity ratio	16.10%	15.97%
Tier-1 ratio	17.61%	17.02%
Total capital ratio	19.56%	19.20%

(*) A proposal will be made to the General Meeting of Shareholders in May for a buy-back of maximum 5.5 million shares, subject to prior approval of the ECB, this will lead to a CET1 ratio (after capital distribution) of approximately 15.7%

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	31-12-2019	31-12-2018
Tier-1 capital (Danish compromise)	17 448	16 150
Total exposures	273 029	266 594
Total Assets	290 735	283 808
Deconsolidation KBC Insurance	-33 243	-31 375
Adjustment for derivatives	-2 882	-3 105
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 254	-2 043
Adjustment for securities financing transaction exposures	638	408
Off-balance sheet exposures	20 035	18 900
Leverage ratio	6.39%	6.06%

Solvency banking and insurance activities separately

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

KBC Bank consolidated - CRDIV/CRR (in millions of EUR)	31-12-2019	31-12-2018
Total regulatory capital, after profit appropriation	16 003	15 749
Tier-1 capital	14 047	13 625
Of which common equity	*12 547*	*12 618*
Tier-2 capital	1 957	2 124
Total weighted risks	89 838	85 474
Credit risk	75 786	71 224
Market risk	2 713	3 198
Operational risk	11 340	11 051
Solvency ratios		
Common equity ratio	14.0%	14.8%
Tier-1 ratio	15.6%	15.9%
CAD ratio	17.8%	18.4%

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-12-2019	31-12-2018
Own Funds	3 496	3 590
Tier 1	2 996	3 090
IFRS Parent shareholders equity	3 422	2 728
Dividend payout	- 156	- 132
Deduction intangible assets and goodwill (after tax)	- 128	- 124
Valuation differences (after tax)	- 196	341
Volatility adjustment	104	313
Other	- 49	- 35
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 727	1 651
Market risk	1 389	1 379
Non-life	579	557
Life	689	666
Health	264	190
Counterparty	114	111
Diversification	- 991	- 922
Other	- 316	- 331
Solvency II ratio	202%	217%

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.

The Eligible instruments to satisfy the MREL target are defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16th January 2019. The so-called 'consolidated approach' (instruments issued by any entity within the resolution group were accepted by SRB to satisfy the MREL target) is replaced by a more restrictive 'hybrid approach'. At year-end 2019, 1 billion euro of instruments are no longer eligible for SRB to satisfy the MREL.

At the end of December 2019, the MREL ratio based on instruments following the 'hybrid approach' stands at 10.0% of TLOF. The latter is above the SRB requirement for KBC to achieve 9.67% as % of TLOF by year-end 2021.

Income statement, volumes and ratios per business unit

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

Business Unit Belgium							
(in millions of EUR)	**FY 2019**	**4Q 2019**	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	2 516	634	637	621	625	2 576	647
Non-life insurance before reinsurance	494	160	129	111	94	527	142
Earned premiums Non-life	1 115	285	284	275	270	1 070	275
Technical charges Non-life	-621	-125	-156	-165	-175	-543	-133
Life insurance before reinsurance	-95	-21	-25	-24	-25	-110	-29
Earned premiums Life	1 000	282	217	233	268	998	309
Technical charges Life	-1 095	-303	-242	-256	-293	-1 108	-338
Ceded reinsurance result	-2	-10	-5	4	8	-26	-11
Dividend income	78	15	14	38	11	74	12
Net result from financial instruments at fair value through profit or loss	177	89	-9	43	54	101	-40
Net realised result from debt instr FV through OCI	4	0	4	0	0	0	0
Net fee and commission income	1 182	307	297	293	286	1 182	273
Net other income	187	41	51	50	45	225	73
TOTAL INCOME	4 542	1 216	1 092	1 135	1 099	4 549	1 068
Operating expenses	-2 485	-550	-552	-575	-807	-2 484	-541
Impairment	-244	-109	-21	-31	-83	-93	-49
On financial assets at amortised cost and at FV through OCI	-241	-107	-21	-30	-82	-91	-48
On other	-4	-2	0	-1	-1	-2	-1
Share in results of associated companies and joint ventures	-6	-2	-2	-2	-1	-8	-1
RESULT BEFORE TAX	1 807	556	517	526	208	1 963	478
Income tax expense	-463	-145	-149	-138	-32	-513	-117
RESULT AFTER TAX	1 344	412	368	388	176	1 450	361
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**1 344**	**412**	**368**	**388**	**176**	**1 450**	**361**
Banking	979	301	287	289	102	1 071	279
Insurance	364	111	81	99	74	379	82
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	100 909	100 909	100 945	101 125	100 686	99 650	99 650
of which Mortgage loans (end of period)	36 445	36 445	35 832	35 674	35 234	35 049	35 049
Customer deposits and debt certificates excl. repos (end of period)	130 771	130 771	134 355	128 544	134 382	131 442	131 442
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	13 130	13 130	13 097	13 144	13 141	13 176	13 176
Unit-Linked (end of period)	13 426	13 426	13 281	13 201	13 156	12 774	12 774
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	49 486	49 486	49 985	48 959	49 403	48 120	48 120
Required capital, insurance (end of period)	1 497	1 497	1 572	1 508	1 506	1 421	1 421
Allocated capital (end of period)	6 792	6 792	6 920	6 747	6 792	6 522	6 522
Return on allocated capital (ROAC)	20%	24%	22%	23%	11%	22%	22%
Cost/income ratio, banking	58%	48%	53%	54%	78%	58%	53%
Combined ratio, non-life insurance	89%	82%	91%	91%	93%	87%	86%
Net interest margin, banking	1,69%	1,68%	1,68%	1,67%	1,71%	1,72%	1,72%

Business Unit Czech Republic (in millions of EUR)	**FY 2019**	**4Q 2019**	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	1 277	338	329	308	302	1 043	291
Non-life insurance before reinsurance	115	30	29	27	29	103	26
Earned premiums Non-life	281	73	72	70	66	248	64
Technical charges Non-life	-166	-43	-43	-42	-37	-145	-38
Life insurance before reinsurance	54	12	13	15	14	58	14
Earned premiums Life	228	58	53	61	56	260	79
Technical charges Life	-174	-45	-40	-46	-42	-202	-64
Ceded reinsurance result	-5	0	0	-2	-3	-8	-3
Dividend income	1	0	0	0	0	1	0
Net result from financial instruments at fair value through profit or loss	-85	8	-56	-34	-3	72	4
Net realised result from debt instr FV through OCI	0	0	0	0	0	0	0
Net fee and commission income	254	59	70	67	58	257	64
Net other income	102	3	2	84	13	14	4
TOTAL INCOME	1 714	451	388	465	410	1 540	400
Operating expenses	-770	-200	-187	-179	-204	-729	-187
Impairment	-17	-3	-9	-7	1	-42	-10
On financial assets at amortised cost and at FV through OCI	-12	-1	-9	-4	2	-8	0
On other	-4	-1	0	-3	0	-34	-10
Share in results of associated companies and joint ventures	8	0	0	4	4	19	3
RESULT BEFORE TAX	935	248	192	283	212	788	207
Income tax expense	-146	-43	-33	-35	-35	-134	-37
RESULT AFTER TAX	789	205	159	248	177	654	170
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**789**	**205**	**159**	**248**	**177**	**654**	**170**
Banking	743	194	147	237	164	619	164
Insurance	47	11	12	11	13	35	6
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	29 857	29 857	29 200	28 711	23 685	23 387	23 387
of which Mortgage loans (end of period)	15 768	15 768	15 267	15 267	11 375	11 317	11 317
Customer deposits and debt certificates excl. repos (end of period)	39 559	39 559	38 170	38 536	32 210	32 394	32 394
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	629	629	616	621	613	613	613
Unit-Linked (end of period)	727	727	700	698	689	660	660
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 005	15 005	14 916	14 670	14 334	14 457	14 457
Required capital, insurance (end of period)	121	121	121	124	125	115	115
Allocated capital (end of period)	1 726	1 726	1 717	1 694	1 659	1 647	1 647
Return on allocated capital (ROAC)	47%	48%	38%	60%	43%	39%	40%
Cost/income ratio, banking	44%	44%	48%	38%	50%	47%	45%
Combined ratio, non-life insurance	94%	94%	94%	96%	93%	97%	101%
Net interest margin, banking (*)	3,04%	2,90%	2,93%	3,18%	3,25%	3,07%	3,25%

(*) As of 3Q 2019, ČMSS is taken fully into account

Business Unit International Markets

(in millions of EUR)	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	863	219	216	214	213	896	222
Non-life insurance before reinsurance	136	35	32	35	35	117	29
Earned premiums Non-life	315	80	80	78	77	254	68
Technical charges Non-life	-179	-45	-48	-43	-42	-137	-39
Life insurance before reinsurance	36	11	7	10	9	34	12
Earned premiums Life	95	24	21	23	27	101	27
Technical charges Life	-60	-14	-14	-14	-18	-67	-15
Ceded reinsurance result	-8	-1	-2	-3	-2	-11	-2
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	48	23	5	10	10	74	8
Net realised result from debt instr FV through OCI	2	0	1	0	1	0	0
Net fee and commission income	301	78	77	77	68	284	69
Net other income	-11	4	-16	-2	3	17	-1
TOTAL INCOME	1 367	370	321	340	336	1 412	338
Operating expenses	-932	-248	-212	-212	-260	-909	-233
Impairment	12	18	-6	-7	7	118	6
On financial assets at amortised cost and at FV through OCI	18	22	-5	-6	8	127	8
On other	-6	-4	-1	-1	0	-9	-2
Share in results of associated companies and joint ventures	5	1	1	1	1	5	1
RESULT BEFORE TAX	452	141	104	122	85	626	111
Income tax expense	-73	-22	-19	-18	-15	-93	-19
RESULT AFTER TAX	379	119	85	104	70	533	93
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**379**	**119**	**85**	**104**	**70**	**533**	**93**
Banking	329	107	75	91	56	496	86
Insurance	49	12	11	13	14	37	7
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	25 050	25 050	24 718	24 333	24 146	24 015	24 015
of which Mortgage loans (end of period)	15 584	15 584	15 357	15 178	14 955	14 471	14 471
Customer deposits and debt certificates excl. repos (end of period)	24 041	24 041	22 939	22 970	23 063	22 897	22 897
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	255	255	258	262	261	257	257
Unit-Linked (end of period)	432	432	414	420	417	403	403
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	20 892	20 892	21 068	21 019	21 004	20 536	20 536
Required capital, insurance (end of period)	124	124	123	117	114	108	108
Allocated capital (end of period)	2 359	2 359	2 377	2 366	2 361	2 285	2 285
Return on allocated capital (ROAC)	16%	20%	14%	18%	12%	24%	17%
Cost/income ratio, banking	70%	68%	67%	64%	80%	65%	69%
Combined ratio, non-life insurance	88%	89%	93%	88%	84%	90%	95%
Net interest margin, banking	2,64%	2,60%	2,61%	2,65%	2,69%	2,80%	2,74%

Hungary (in millions of EUR)	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	254	64	64	64	62	243	62
Non-life insurance before reinsurance	48	14	10	12	12	42	11
Earned premiums Non-life	145	37	36	35	37	109	28
Technical charges Non-life	-97	-22	-26	-24	-26	-67	-17
Life insurance before reinsurance	8	2	2	2	2	10	4
Earned premiums Life	17	4	4	4	4	17	4
Technical charges Life	-9	-2	-2	-2	-3	-6	0
Ceded reinsurance result	-2	0	-1	0	-1	-3	-1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	33	9	6	8	10	60	11
Net realised result from debt instr FV through OCI	1	0	1	0	0	-1	0
Net fee and commission income	215	56	55	55	48	197	50
Net other income	2	0	0	0	1	15	1
TOTAL INCOME	558	146	137	142	133	565	138
Operating expenses	-353	-87	-83	-81	-102	-345	-83
Impairment	-1	-3	-1	3	0	9	1
On financial assets at amortised cost and at FV through OCI	1	-2	-1	3	0	9	1
On other	-2	-1	0	0	0	-1	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	204	57	53	64	31	228	57
Income tax expense	-31	-7	-8	-9	-6	-32	-8
RESULT AFTER TAX	173	50	45	55	25	196	49
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**173**	**50**	**45**	**55**	**25**	**196**	**49**
Banking	156	44	41	50	21	182	45
Insurance	18	6	4	4	4	14	4
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	4 623	4 623	4 522	4 527	4 395	4 373	4 373
of which Mortgage loans (end of period)	1 596	1 596	1 558	1 602	1 581	1 260	1 260
Customer deposits and debt certificates excl. repos (end of period)	7 953	7 953	7 140	7 388	7 484	7 503	7 503
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	52	52	52	55	55	55	55
Unit-Linked (end of period)	291	291	280	285	284	277	277
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 415	6 415	6 480	6 320	6 826	6 693	6 693
Required capital, insurance (end of period)	48	48	47	43	43	41	41
Allocated capital (end of period)	735	735	740	719	773	751	751
Return on allocated capital (ROAC)	23%	27%	24%	29%	13%	28%	29%
Cost/income ratio, banking	64%	61%	62%	58%	79%	62%	60%
Combined ratio, non-life insurance	90%	87%	96%	90%	89%	90%	92%

Slovakia (in millions of EUR)	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	204	51	51	50	52	211	53
Non-life insurance before reinsurance	28	7	7	7	7	25	7
Earned premiums Non-life	47	12	12	12	11	41	11
Technical charges Non-life	-19	-5	-5	-4	-4	-16	-4
Life insurance before reinsurance	12	4	2	3	3	13	4
Earned premiums Life	43	12	10	10	11	53	13
Technical charges Life	-30	-7	-7	-7	-8	-40	-9
Ceded reinsurance result	-2	-1	0	-1	0	-2	-1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	4	10	-5	-2	0	6	0
Net realised result from debt instr FV through OCI	1	0	0	0	1	0	0
Net fee and commission income	65	16	16	16	15	59	15
Net other income	9	4	2	1	2	4	-1
TOTAL INCOME	322	93	74	75	80	316	76
Operating expenses	-211	-53	-52	-51	-55	-205	-54
Impairment	-11	6	-6	-8	-3	-4	-5
On financial assets at amortised cost and at FV through OCI	-11	5	-6	-8	-3	-4	-5
On other	0	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	100	46	16	15	23	107	18
Income tax expense	-21	-8	-4	-4	-5	-25	-5
RESULT AFTER TAX	79	38	12	11	18	82	13
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**79**	**38**	**12**	**11**	**18**	**82**	**13**
Banking	69	36	10	8	15	73	12
Insurance	10	2	2	3	3	9	2
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	7 506	7 506	7 471	7 316	7 177	7 107	7 107
of which Mortgage loans (end of period)	3 641	3 641	3 593	3 482	3 381	3 248	3 248
Customer deposits and debt certificates excl. repos (end of period)	6 480	6 480	6 438	6 236	6 270	6 348	6 348
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	114	114	114	115	114	114	114
Unit-Linked (end of period)	100	100	97	104	106	104	104
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 985	4 985	5 030	4 960	5 121	5 056	5 056
Required capital, insurance (end of period)	27	27	28	26	24	23	23
Allocated capital (end of period)	560	560	566	557	572	559	559
Return on allocated capital (ROAC)	14%	27%	8%	8%	13%	15%	10%
Cost/income ratio, banking	66%	56%	71%	71%	70%	65%	70%
Combined ratio, non-life insurance	85%	94%	84%	81%	82%	87%	92%

Bulgaria (in millions of EUR)	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	141	36	36	35	35	151	37
Non-life insurance before reinsurance	60	13	15	16	16	50	11
Earned premiums Non-life	122	31	32	31	29	104	29
Technical charges Non-life	-62	-18	-17	-15	-12	-54	-18
Life insurance before reinsurance	16	4	3	4	4	12	5
Earned premiums Life	36	9	8	9	11	32	11
Technical charges Life	-21	-4	-5	-5	-7	-20	-6
Ceded reinsurance result	-5	0	-2	-2	-2	-6	-1
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	15	3	4	4	4	13	3
Net realised result from debt instr FV through OCI	0	0	0	0	0	1	0
Net fee and commission income	24	5	6	6	6	29	6
Net other income	1	1	1	0	0	-1	0
TOTAL INCOME	252	63	63	63	63	248	62
Operating expenses	-139	-33	-30	-29	-47	-143	-35
Impairment	-9	0	-6	-1	-2	1	-6
On financial assets at amortised cost and at FV through OCI	-5	4	-6	-1	-2	10	-4
On other	-4	-3	0	0	0	-9	-2
Share in results of associated companies and joint ventures	0	0	0	0	0	1	0
RESULT BEFORE TAX	104	31	26	33	15	107	21
Income tax expense	-11	-3	-3	-3	-2	-11	-2
RESULT AFTER TAX	93	27	23	29	13	96	19
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**93**	**27**	**23**	**29**	**13**	**96**	**19**
Banking	76	24	20	24	7	86	18
Insurance	17	3	3	5	6	10	0
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	3 161	3 161	3 064	2 927	2 826	2 806	2 806
of which Mortgage loans (end of period)	693	693	675	659	645	642	642
Customer deposits and debt certificates excl. repos (end of period)	4 439	4 439	4 216	4 291	4 286	4 116	4 116
Technical provisions plus unit-linked, life insurance							
Interest Guaranteed (end of period)	89	89	91	92	91	87	87
Unit-Linked (end of period)	41	41	37	31	27	22	22
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 413	3 413	3 338	3 554	3 237	2 991	2 991
Required capital, insurance (end of period)	49	49	48	48	47	44	44
Allocated capital (end of period)	414	414	405	428	393	361	361
Return on allocated capital (ROAC)	23%	27%	24%	30%	14%	27%	21%
Cost/income ratio, banking	56%	51%	47%	46%	81%	57%	52%
Combined ratio, non-life insurance	88%	89%	91%	89%	82%	91%	99%

Ireland

(in millions of EUR)	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	263	67	66	65	65	291	69
Non-life insurance before reinsurance	0	0	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0	0	0
Earned premiums Life	0	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-4	0	0	0	-3	-5	-6
Net realised result from debt instr FV through OCI	0	0	0	0	0	0	0
Net fee and commission income	-2	0	0	-1	-1	-1	-1
Net other income	-23	-1	-18	-4	0	-1	-1
TOTAL INCOME	235	67	48	61	60	284	61
Operating expenses	-229	-75	-47	-51	-56	-216	-62
Impairment	33	14	7	0	12	111	15
On financial assets at amortised cost and at FV through OCI	33	14	7	0	12	112	15
On other	0	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	39	6	8	10	16	180	15
Income tax expense	-10	-3	-3	-1	-2	-24	-4
RESULT AFTER TAX	29	2	4	9	14	155	11
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**29**	**2**	**4**	**9**	**14**	**155**	**11**
Banking	29	2	4	9	14	155	11
Insurance	0	0	0	0	0	0	0
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	9 760	9 760	9 661	9 562	9 748	9 729	9 729
of which Mortgage loans (end of period)	9 654	9 654	9 531	9 435	9 348	9 320	9 320
Customer deposits and debt certificates excl. repos (end of period)	5 169	5 169	5 145	5 056	5 022	4 930	4 930
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 077	6 077	6 216	6 182	5 817	5 793	5 793
Allocated capital (end of period)	650	650	665	661	622	614	614
Return on allocated capital (ROAC)	4%	1%	3%	5%	9%	26%	7%
Cost/income ratio, banking	97%	113%	98%	84%	93%	76%	101%

Group centre - Breakdown net result (in millions of EUR)	**FY 2019**	**4Q 2019**	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Operational costs of the Group activities	-80	-34	-14	-14	-18	-77	-28
Capital and treasury management	-26	-8	-9	-7	-3	19	11
Holding of participations	9	-2	1	21	-11	-10	-9
Results companies in rundown	24	2	12	5	4	58	15
Other	51	9	9	-1	34	-57	8
Total net result for the Group centre	-23	-33	0	4	7	-67	-3

Group Centre (in millions of EUR)	**FY 2019**	4Q 2019	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018
Breakdown P&L							
Net interest income	-38	-9	-8	-11	-11	29	6
Non-life insurance before reinsurance	10	4	2	2	3	12	2
Earned premiums Non-life	10	2	3	3	2	10	2
Technical charges Non-life	0	1	-2	-1	1	2	0
Life insurance before reinsurance	0	0	0	0	0	-1	-1
Earned premiums Life	0	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0	-1
Ceded reinsurance result	-9	0	-1	2	-10	4	4
Dividend income	3	1	0	1	1	7	2
Net result from financial instruments at fair value through profit or loss	41	10	14	-21	38	-17	29
Net realised result from debt instr FV through OCI	0	0	0	0	0	9	0
Net fee and commission income	-3	0	0	-1	-2	-3	0
Net other income	3	-2	5	2	-2	-30	-1
TOTAL INCOME	6	4	12	-27	17	11	42
Operating expenses	-116	-48	-23	-21	-24	-112	-34
Impairment	32	11	10	5	6	35	10
On financial assets at amortised cost and at FV through OCI	32	11	10	5	6	35	10
On other	0	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0
RESULT BEFORE TAX	-78	-32	-1	-43	-2	-67	18
Income tax expense	55	-1	1	47	9	0	-20
RESULT AFTER TAX	-23	-33	0	4	7	-67	-3
Attributable to minority interest	0	0	0	0	0	0	0
Attributable to equity holders of the parent	**-23**	**-33**	**0**	**4**	**7**	**-67**	**-3**
Of which banking	1	-17	5	0	12	-8	10
Of which holding	-25	-26	-1	3	-1	-67	-10
Of which insurance	2	10	-4	1	-4	7	-2
Breakdown Loans and deposits							
Total customer loans excluding reverse repo (end of period)	1	1	0	0	0	0	0
of which Mortgage loans (end of period)	0	0	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	8 999	8 999	9 806	9 089	8 332	7 558	7 558
Performance Indicators							
Risk-weighted assets, banking (end of period, Basel III fully loaded)	4 554	4 554	2 266	2 607	2 652	2 629	2 629
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)	-15	-15	2	5	6	7	7
Allocated capital (end of period)	473	473	245	284	290	286	286

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	2019	2018
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 489	2 570
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 56	- 76
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	416.1	417.0
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		416.2	417.0
Basic = (A-B) / (C) (in EUR)		5.85	5.98
Diluted = (A-B) / (D) (in EUR)		5.85	5.98

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	2019	2018
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	1 006	878
/			
Earned insurance premiums (B)	Note 3.7.1	1 693	1 553
+			
Operating expenses (C)	Note 3.7.1	526	505
/			
Written insurance premiums (D)	Note 3.7.1	1 728	1 597
= (A/B)+(C/D)		89.9%	88.2%

Common equity ratio

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

Calculation (in millions of EUR or %)	2019	2018
Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'		
Fully loaded	16.1%	16.0%

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	2019	2018
Cost/income ratio			
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	3 800	3 714
/			
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	6 563	6 459
=(A) / (B)		57.9%	57.5%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. The adjustments include: MTM ALM derivatives (fully excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 58% in FY 2019 (versus 57% in FY 2018).

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	2019	2018
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 584	3 203
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 160	7 151
= (A) / (B)		42.0%	44.8%

As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests and moreover the transaction scope of the loan portfolio has been extended.

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	2019	2018
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	204	- 59
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	170 128	163 393
= (A) (annualised) / (B)		0.12%	-0.04%

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	2019	2018
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 160	7 151
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	175 431	164 824
= (A) / (B)		3.5%	4.3%

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

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	2019	2018
Regulatory available tier-1 capital (A)	Leverage ratio KBC Group (Basel III fully loaded table in the 'Leverage KBC Group' section)	17 448	16 150
/			
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Leverage ratio KBC Group (Basel III fully loaded table in the 'Leverage KBC Group' section)	273 029	266 594
= (A) / (B)		6.4%	6.1%

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	2019	2018
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	74 884	79 300
/			
Total net cash outflows over the next 30 calendar days (B)		54 415	57 200
= (A) / (B)		138%	139%

From year-end 2017 actuals, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	2019	2018
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	155 816	147 052
+			
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	1 559	538
+			
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'	5 894	5 750
+			
Other exposures to credit institutions (D)		4 629	4 603
+			
Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees given'	8 160	8 302
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 866	3 534
+			
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 288	- 2 296
+			
Non-loan-related receivables (H)		- 738	- 517
+			
Other (I)	Component of Note 4.1	- 468	- 2 142
= (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		175 431	164 824

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

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	2019	2018
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	3 853	3 813
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	194 731	187 703
= (A) (annualised x360/number of calendar days) / (B)		1.95%	2.00%

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

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	2019	2018
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	174 977	165 650
/			
Required amount of stable funding (B)		128 845	122 150
= (A) / (B)		135.8%	135.6%

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	2019	2018
Parent shareholders' equity (A)	'Consolidated balance sheet'	18 865	17 233
/			
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416.4	416.1
= (A) / (B) (in EUR)		45.31	41.42

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	2019	2018
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	1 344	1 450
/			
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)		6 764	6 496
= (A) annualised / (B)		19.9%	22.3%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	789	654
/			
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)		1 692	1 696
= (A) annualised / (B)		46.7%	38.5%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	379	533
/			
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)		2 354	2 204
= (A) annualised / (B)		16.1%	24.2%

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	2019	2018
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	2 489	2 570
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 56	- 76
/			
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'	16 978	15 935
= (A-B) (annualised) / (C)		14.3%	15.6%

Sales Life (insurance)

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

Calculation (in millions of EUR or %)	Reference	2019	2018
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	1 323	1 359
+			
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	0
+			
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	525	457
Total sales Life (A)+ (B) + (C)		1 849	1 817

Solvency ratio (insurance)

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

Calculation	2019	2018
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	202%	217%

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	2019	2018
Belgium Business Unit (A)	Company presentation on www.kbc.com	199,9	186,4
+			
Czech Republic Business Unit (B)		10,8	9,5
+			
International Markets Business Unit (C)		4,9	4,4
A)+(B)+(C)		215,6	200,3