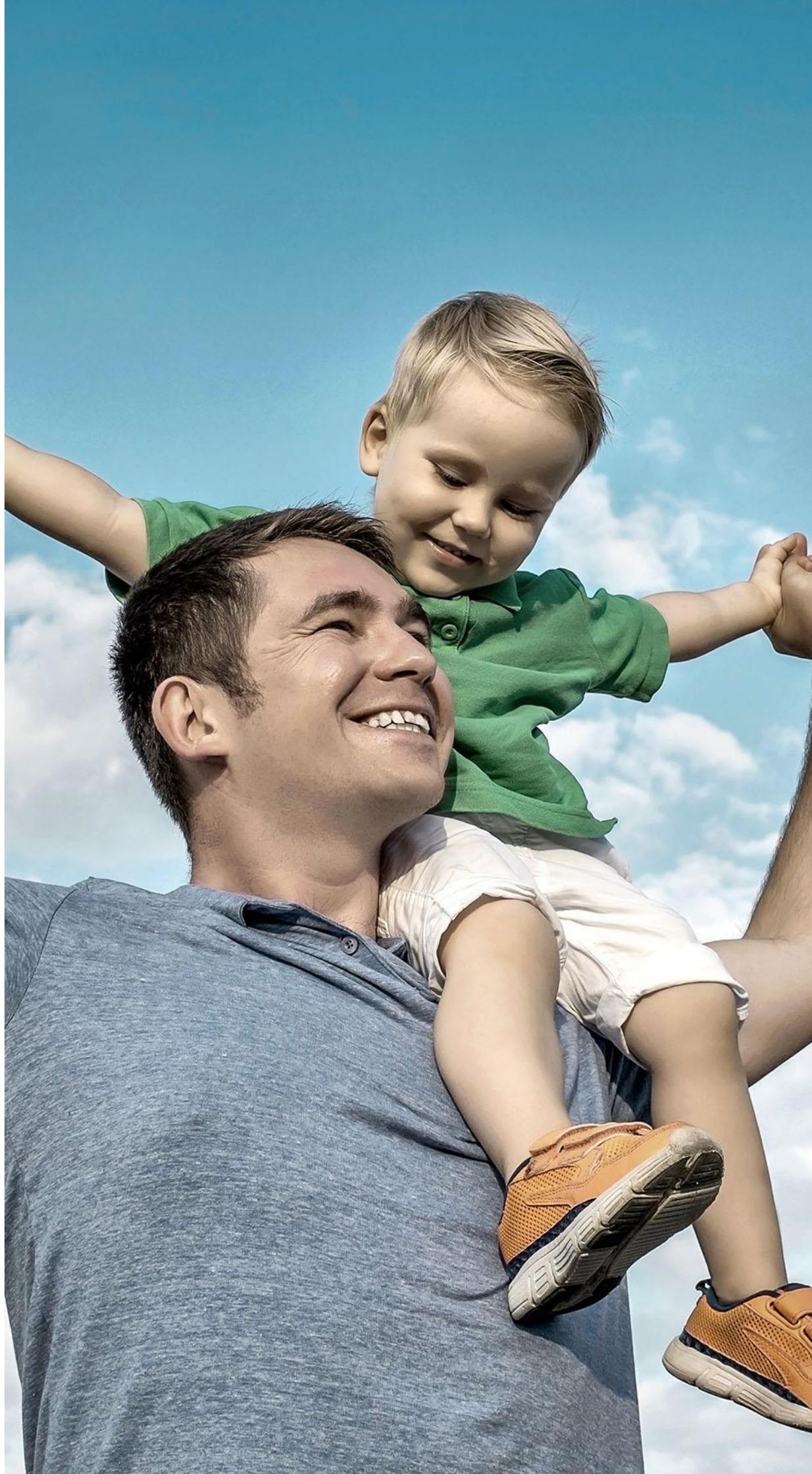


KBC GROUP

QUARTERLY REPORT 2Q2020



Report for 2Q2020

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Forward-looking statements

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

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This report contains information that is subject to transparency regulations for listed companies.
Date of release: 6 August 2020

KBC GROUP Report for 2Q2020

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.'



Second-quarter result of 210 million euros

KBC Group – overview (consolidated, IFRS)	2Q2020	1Q2020	2Q2019	1H2020	1H2019
Net result (in millions of EUR)	210	-5	745	205	1 175
Basic earnings per share (in EUR)	0.47	-0.04	1.76	0.43	2.75
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	204	-86	388	119	564
Czech Republic	77	88	248	165	425
International Markets	-45	35	104	-11	175
Group Centre	-26	-43	4	-68	11
Parent shareholders' equity per share (in EUR, end of period)	44.9	43.8	42.8	44.9	42.8

The quarter under review started with the society in lockdown due to the coronavirus crisis. Over and above the human suffering caused by the pandemic itself, this also triggered unprecedented economic consequences. Even though society is now gradually reopening, it is clear that the coronavirus crisis will have a significant impact, especially in particular sectors. However, the various relief measures implemented in our home countries may help contain the overall impact going forward. Obviously, the long-term impact on the economy also depends on the occurrence and intensity of new outbreaks of the virus now and in the coming months.

Since the start of the coronavirus crisis, we have been working hard with government agencies to support all customers impacted by coronavirus, by efficiently instituting relief measures – including loan deferrals – and adapting or extending these measures where necessary. In these difficult times, we have also managed to continue providing our customers in all our home markets with a high level of service, thanks in the main to the efforts and investments we have made over the past few years on the digital transformation front, in combination with the expertise and commitment of our employees in all our home countries. Meanwhile we will continue to work on solutions to proactively make life easier for our customers. The interaction between human and machine, between branch and digital app, supported by artificial intelligence and data analysis, plays a prominent role here. We will be communicating on this and other topics in more depth during a strategy update session on 12 November.

We believe that the world emerging from the coronavirus crisis will have to be a more sustainable one and we are working tirelessly to contribute to such a scenario. With that in mind, we successfully launched our second green bond in June for the amount of 500 million euros. By issuing green bonds, we aim to create a closer link with socially responsible investors, to provide finance to customers directly involved in sustainable projects and to contribute to the development of a liquid and efficient green bond market, which would help to finance the transition to a low-carbon economy.

As regards our financial results, we generated a net profit of 210 million euros in the second quarter of 2020. The result was significantly impacted by the recording of 845 million euros in loan loss impairment charges, the bulk of which related to the potential economic consequences of the coronavirus crisis. In this regard, we wish to reiterate our guidance for full-year 2020, i.e. an estimated 1.1 billion euros in loan loss impairment charges. As expected, net interest income and net fee and commission income fell in the second quarter, while our non-life insurance result, on the other hand, was very solid and our life insurance business witnessed strong sales in the second quarter. What's more, our trading and fair value result, which had been hit hard during the first quarter of the year, recovered to a large extent in the quarter under review. Last but not least, our strict cost control measures, together with the additional cost savings announced when the first-quarter results were published, helped reduce our operating expenses (excluding bank taxes) by 6% quarter-on-quarter and by 8% year-on-year.

Our solvency position remained very strong, with a common equity ratio of 16.6% on a fully loaded basis, well above the current minimum capital requirement of 7.95%. Our liquidity position remained solid too, with an LCR of 136% and an NSFR of 142% at the end of June 2020. As a result, our current capital and liquidity buffers allow us to face today's challenges with confidence. It should also be noted that, in line with the recent ECB recommendation, we cannot execute our usual dividend policy. As a consequence, no interim dividend will be paid out in November 2020.



In closing, I would like to take this opportunity to explicitly thank all those stakeholders who have continued to put their trust in us. I can assure you that, in these challenging times, we remain fully committed to maintaining our position as the reference in bank-insurance in all our home markets.

Johan Thijs, Chief Executive Officer

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

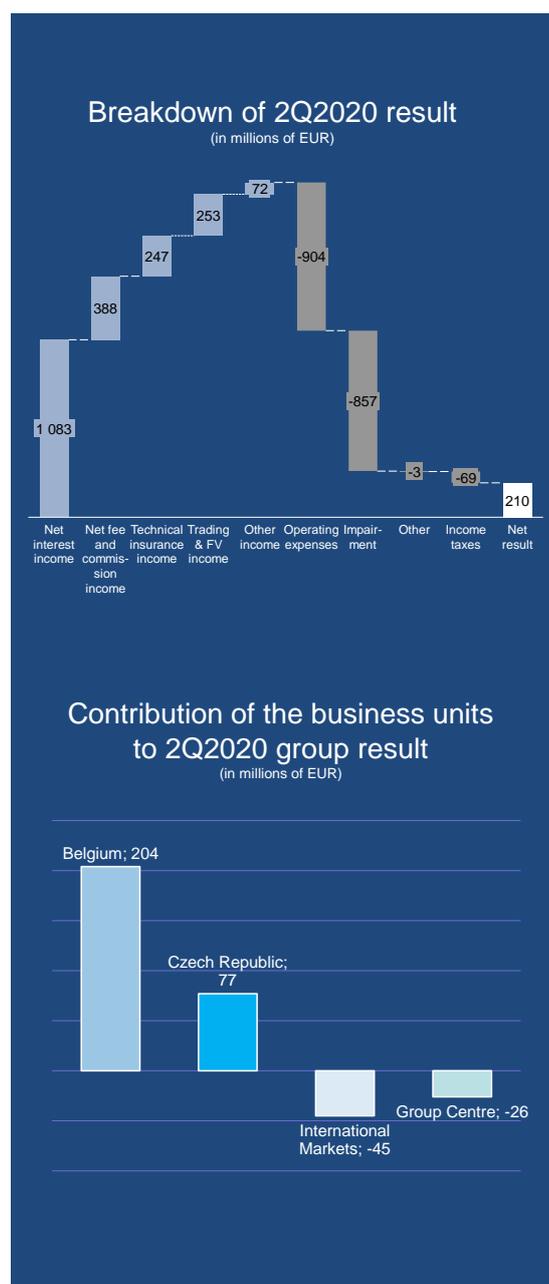


Financial highlights in the second quarter of 2020

The result of the quarter under review was significantly impacted by the recording of loan loss impairment charges related to the pandemic.

That aside, costs were reduced significantly, the non-life insurance result was excellent and trading & fair value income recovered following the initial drop in the first quarter. Net interest income and fee and commission went down compared to the previous quarter.

- ▶ Net interest income decreased by 9% quarter-on-quarter and by 4% year-on-year, mainly on account of the effect of interest rates being cut by the CNB in the Czech Republic, the depreciation of the Czech koruna and Hungarian forint against the euro, low reinvestment yields in general, lower portfolio lending margins in most core countries (except Belgium) and the lower netted positive impact of ALM FX swaps. Year-on-year, these negative effects were partially offset by good loan volume growth, the beneficial effect of ECB tiering, lower funding costs, a larger bond portfolio (also quarter-on-quarter) and the full consolidation of ČMSS since June 2019. Loan volumes remained more or less stable quarter-on-quarter and were up 4% year-on-year, with year-on-year growth recorded in all business units. Deposits excluding debt certificates grew by 5% quarter-on-quarter and 11% year-on-year, again with year-on-year growth in all business units.
- ▶ Technical income from our non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was up 40% on its level in the year-earlier quarter, due mainly to lower technical charges (largely related to the effect of the lockdown on economic activity). Consequently, the combined ratio for the first half of 2020 amounted to an excellent 83%. Sales of our life insurance products were up 32% and 22% on their respective levels in the previous and year-earlier quarters, thanks to increased sales of unit-linked products.
- ▶ Net fee and commission income was 10% and 11% lower than the figure recorded in the previous and year-earlier quarters, respectively, due to a combination of lower fees from our asset management activities (both entry and management fees) and lower fees in relation to banking services (lower payment fees due mainly to the lockdown).
- ▶ Trading and fair value result rebounded quite strongly to 253 million euros after the significantly negative figure (-385 million euros) of the previous quarter, which had been severely impacted by the initial effects of the outbreak of the coronavirus pandemic. The recovery in the second quarter was due to, among other things, rising stock markets and decreasing counterparty credit spreads and KBC funding spread.
- ▶ Net other income was more or less in line with the figure recorded in the previous quarter, but down year-on-year as the year-earlier quarter had benefited from a 82-million-euro one-off gain on the revaluation of the 55% participation in ČMSS (related to the acquisition of the remaining stake in that company).
- ▶ Costs excluding bank taxes – the bulk of which is recorded in the first quarter – were down 6% and 8% on the figures recorded in the previous and year-earlier quarters, respectively, thanks to the announced cost savings and the foreign exchange effect. When certain non-operating items are excluded and the bank taxes spread evenly throughout the year, the cost/income ratio amounted to 59% for the first half of 2020, compared to 58% for full-year 2019.
- ▶ Loan loss impairment charges amounted to 845 million euros in the quarter under review, with almost 90% of this figure relating to collective impairment charges for the coronavirus crisis. As a consequence, the credit cost ratio for the first six months of the year amounted to 0.64%, up from 0.12% for full-year 2019.
- ▶ Our liquidity position remained strong with an LCR of 136% and NSFR of 142%. Our capital base remained robust as well, with a fully loaded common equity ratio of 16.6%.



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019	1H2020	1H2019
Net interest income	1 083	1 195	1 182	1 174	1 132	2 278	2 261
Non-life insurance (before reinsurance)	255	185	229	192	174	440	335
<i>Earned premiums</i>	435	443	441	440	425	879	840
<i>Technical charges</i>	-180	-258	-212	-248	-251	-439	-505
Life insurance (before reinsurance)	6	0	2	-5	1	6	-2
<i>Earned premiums</i>	276	297	364	291	317	574	668
<i>Technical charges</i>	-271	-297	-363	-297	-316	-568	-669
Ceded reinsurance result	-13	-7	-11	-9	1	-21	-5
Dividend income	17	12	17	14	39	30	51
Net result from financial instruments at fair value through P&L ¹	253	-385	130	-46	-2	-132	97
Net realised result from debt instruments at fair value through other comprehensive income	2	0	0	5	0	3	2
Net fee and commission income	388	429	445	444	435	816	845
Net other income	53	50	47	43	133	102	192
Total income	2 043	1 479	2 041	1 813	1 913	3 522	3 775
Operating expenses	-904	-1 338	-1 045	-975	-988	-2 242	-2 283
Impairment	-857	-141	-82	-26	-40	-997	-109
<i>Of which: on financial assets at amortised cost and at fair value through other comprehensive income²</i>	-845	-121	-75	-25	-36	-966	-103
Share in results of associated companies & joint ventures	-3	-3	-1	0	4	-7	8
Result before tax	279	-3	912	812	889	276	1 392
Income tax expense	-69	-2	-210	-200	-144	-71	-217
Result after tax	210	-5	702	612	745	205	1 175
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	210	-5	702	612	745	205	1 175
Basic earnings per share (EUR)	0.47	-0.04	1.66	1.44	1.76	0.43	2.75
Diluted earnings per share (EUR)	0.47	-0.04	1.66	1.44	1.76	0.43	2.74
Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-06-2020	31-03-2020	31-12-2019	30-09-2019	30-06-2019		
Total assets	317 388	301 451	290 735	294 830	289 548		
Loans and advances to customers, excl. reverse repos	157 563	158 364	155 816	154 863	154 169		
Securities (equity and debt instruments)	72 131	67 176	65 633	65 122	63 746		
Deposits from customers & debt certificates, excl. repos	210 811	208 293	203 369	205 270	199 138		
Technical provisions, before reinsurance	18 775	18 816	18 560	18 549	18 652		
Liabilities under investment contracts, insurance	12 505	11 979	13 610	13 456	13 381		
Parent shareholders' equity	18 710	18 220	18 865	18 086	17 799		
Selected ratios KBC group (consolidated)	1H2020	FY2019					
Return on equity	2% ³	14%					
Cost/income ratio, banking (when excluding certain non-operating items and spreading bank taxes evenly throughout the year)	66% (59%)	58% (58%)					
Combined ratio, non-life insurance	83%	90%					
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	16.6% [16.6%]	17.1%					
Common equity ratio, FICOD fully loaded [transitional]	15.4% [15.5%]	15.8%					
Leverage ratio, Basel III fully loaded [transitional]	6.0% [6.0%]	6.8%					
Credit cost ratio	0.64%	0.12%					
Impaired loans ratio for loans more than 90 days past due	3.4% 1.9%	3.5% 1.9%					
Net stable funding ratio (NSFR)	142%	136%					
Liquidity coverage ratio (LCR)	136%	138%					

¹ Also referred to as 'Trading and fair value income'.

² Also referred to as 'Loan loss impairment'.

³ 4% when bank taxes are spread evenly throughout the year.

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

Analysis of the quarter (2Q2020)

Total income

2 043 million euros

Total income increased by 38% quarter-on-quarter, due almost entirely to the recovery of our trading and fair value income, following the huge drop in the previous quarter that had been caused by the initial financial market turmoil after the outbreak of the pandemic. All other income items combined fell slightly quarter-on-quarter, with the decrease in net interest income and in net fee and commission income being partly offset by higher technical insurance income and seasonally higher dividend income.

Net interest income amounted to 1 083 million euros in the quarter under review, down 9% on the figure recorded in the previous quarter and 4% year-on-year. In both cases, the decrease was mainly related to the effect of interest rates being cut by the CNB in the Czech Republic, the depreciation of the Czech koruna and Hungarian forint against the euro, low reinvestment yields in general, lower portfolio lending margins in most core countries (except Belgium), the lower netted positive impact of ALM FX swaps, and the fact that the previous quarter had included a positive one-off item. In the year-on-year comparison, these negative effects were partially offset by good loan volume growth (see next paragraph), the beneficial effect of ECB tiering, lower funding costs, a larger bond portfolio (also quarter-on-quarter) and the full consolidation of ČMSS since June 2019 (ČMSS was consolidated for the full three months in the second quarter of 2020, but for just one month in the second quarter of 2019 – this impact is referred to as the ‘ČMSS impact’ elsewhere in this publication).

The total volume of customer lending (158 billion euros) was more or less stable quarter-on-quarter but went up by 4% year-on-year, with year-on-year growth recorded in all business units. Customer deposits including debt certificates (211 billion euros) were up 1% quarter-on-quarter and 7% year-on-year, again with year-on-year growth in all business units. Excluding debt certificates, deposits were even up 5% quarter-on-quarter and 11% year-on-year. The net interest margin for the quarter under review amounted to 1.82%, 15 and 12 basis points down on the figures recorded in the previous quarter and year-earlier quarter, respectively.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 247 million euros to total income, up 43% quarter-on-quarter and 40% on the corresponding year-earlier quarter. The quarter-on-quarter increase came about primarily because of lower technical charges (the quarter under review included the positive effect of the lockdown on claims, whereas the previous quarter had included the significant impact of storms in Belgium), which more than offset the slight decrease in earned premiums. The year-on-year increase was due mainly to a combination of lower charges (a lower level due to lockdown in the quarter under review, whereas the reference quarter had been negatively impacted by storm-related claims and a re-assessment of claims provisions) and a slight increase in premium income, despite a lower ceded reinsurance result. Overall, the combined ratio for the first half of 2020 came to an excellent 83%, compared to 90% for full-year 2019.

Technical income from our **life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 1 million euros, compared to 4 million euros in the previous quarter and 0 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (561 million euros) were up 32% and 22% on the level recorded in the previous and year-earlier quarters, respectively (thanks to increased sales of unit-linked products in Belgium due to the launch of new products), which more than offset lower sales of guaranteed-interest products. Overall, the share of unit-linked products in our total life insurance sales increased to 58% in the quarter under review, with guaranteed-interest products accounting for the remaining 42%.

In the quarter under review, **net fee and commission income** amounted to 388 million euros. Compared to the previous and year-earlier quarters, this represented a significant drop of 10% and 11%, respectively. In both cases, the decrease was caused primarily by the effects of the coronavirus pandemic on asset management-related fees (a decline in entry fees due to decreased sales and margins, and a decline in management fees due to the lower average level of assets under management in combination with lower margins). Moreover, fees related to banking services also fell (payment services fees, for instance, decreased due in part to the generally lower level of activity following lockdown). These negative items were only partially offset by the lower level of distribution fees paid (quarter-on-quarter) and the ČMSS impact (year-on-year). At the end of June 2020, our total assets under management amounted to 202 billion euros, up 4% quarter-on-quarter but down 4% year-on-year. The quarter-on-quarter increase was due to a recovery in asset prices (+5%) in the second quarter, combined with a limited net outflow of assets (-1%). The year-on-year decrease resulted from a combination of lower asset prices (-1%) and net outflows (-3%).

The **net result from financial instruments at fair value** (trading and fair value income) amounted to a positive 253 million euros, as opposed to -385 million euros in the previous quarter (which had been impacted by the initial market turmoil following the outbreak of the coronavirus crisis) and -2 million euros in the year-earlier quarter. The trading and fair value results for the quarter under review recovered largely from their level of the previous quarter, as they were positively impacted by rising stock markets and decreasing counterparty credit spreads and KBC funding spread, partly offset by lower long-term interest rates.

The **other remaining income items** included dividend income of 17 million euros, up on the figure recorded in the previous quarter (as the second quarter of the year traditionally includes the bulk of received dividends), but down on the year-earlier figure as a consequence of generally lower dividend payments due to the coronavirus crisis. The remaining income lines also include 53 million euros in net other income. This is in line with the normal run rate for this item, but down on the figure recorded in the year-earlier quarter, which had benefited from an 82-million-euro revaluation gain on the stake in ČMSS that had been triggered by the acquisition of the remaining participation in that company in that quarter.

Operating expenses

904 million euros

Excluding bank taxes, operating expenses in the second quarter were down 6% on the previous quarter, thanks to strict cost containment. The cost/income ratio for the first half of 2020 amounted to 66%, or 59% when certain non-operating items are excluded and bank taxes are spread evenly through the year.

Operating expenses in the second quarter of 2020 amounted to 904 million euros. The quarter-on-quarter comparison is distorted by the upfront recognition in the first quarter of most of the bank taxes for the full year (27 million euros in the second quarter of 2020; 407 million euros in the first quarter of 2020; 30 million euros in the second quarter of 2019). Excluding bank taxes, expenses decreased by 6% quarter-on-quarter and by 8% year-on-year, thanks in essence to the announced cost savings, which led to, *inter alia*, a decrease in accruals for variable remuneration, a reduction in FTEs, lower marketing, travel, facilities and event costs (these four cost items were directly related to the effects of lockdown), as well as to the depreciation of the Czech koruna and Hungarian forint against the euro. These items largely offset the negative impact of items such as wage drift and the ČMSS impact (year-on-year).

The cost/income ratio of our banking activities came to 66% for the first half of 2020, but was distorted by most of the bank taxes being recorded in the first quarter. Excluding certain non-operating items and spreading bank taxes evenly throughout the year, the ratio amounted to 59%, compared to 58% for full-year 2019.

Loan loss impairment

845-million-euro charge

We recorded a net loan loss impairment charge of 845 million euros, up on the 121 million euros recorded in the previous quarter. Almost 90% of the loan loss impairment in the second quarter related to collective impairment charges for the effects of the coronavirus crisis. The credit cost ratio for the first half of the year went up to 0.64%.

In the second quarter of 2020, we recorded an 845-million-euro net loan loss impairment charge, compared with a net charge of 121 million euros in the previous quarter and 36 million euros in the second quarter of 2019. 746 million euros of that 845 million euros related to collective impairment charges for the coronavirus crisis. Of this amount, 596 million euros related to an expert-based calculation ('management overlay' based on certain stress assumptions depending on country, segment, sector and probability-weighted macroeconomic scenarios) and 150 million euros was captured by the ECL models through updated macroeconomic variables. A detailed calculation and background information regarding this calculation can be found in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report. It should be noted that the full collective expected credit losses for the coronavirus crisis – based on the assumptions at the end of the second quarter - have already been recorded in the first half of 2020.

Broken down by country, loan loss impairment charges in the second quarter of 2020 came to 458 million euros in Belgium, 170 million euros in the Czech Republic, 41 million euros in Slovakia, 55 million euros in Hungary, 23 million euros in Bulgaria and 97 million euros in Ireland. For the entire group, the credit cost ratio increased to 0.64% for the first half of 2020 (0.20% excluding the amount recorded for the coronavirus pandemic), up from 0.12% for full-year 2019.

The impaired loans ratio was down slightly on its level at the start of the year. At the end of June 2020, some 3.4% of our total loan book was classified as impaired (stage 3), compared to 3.5% at year-end 2019. Impaired loans that are more than 90 days past due amounted to 1.9% of the loan book, comparable to the figure recorded at year-end 2019.

For an indication of the expected impact of loan loss impairment for full-year 2020, see 'Guidance' on page 11 of this publication.

Impairment on assets *other than loans* amounted to 12 million euros, compared to 20 million euros in the previous quarter and 4 million euros in the second quarter of 2019. The figures for the quarter under review and the previous quarter relate principally to the accounting treatment of various payment moratoria in our home countries.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
204 million euros	77 million euros	-45 million euros	-26 million euros

Belgium: the net result (204 million euros) increased by 290 million euros quarter-on-quarter. Excluding bank taxes (the bulk of which are recorded in the first quarter and hence distort the quarter-on-quarter comparison), the net result still went up by 75 million euros (58%), as the strong rebound in trading and fair value income (following the huge drop in the first quarter of the year),

higher technical non-life insurance result (lower claims) and lower costs more than offset the negative impact of the significant increase in loan loss impairment charges (most of which related to the impact of the coronavirus crisis) and lower net fee and commission income and net interest income.

Czech Republic: the net result (77 million euros) was down 12% on its level for the previous quarter. Excluding bank taxes (the bulk of which are recorded in the first quarter) and the effect of the depreciation of the Czech koruna against the euro, the net result was down 32% quarter-on-quarter, as significantly higher loan loss impairment charges (primarily related to the impact of the coronavirus crisis) and lower net interest income (following the CNB's rate cuts, among other things) more than offset the rebound in the trading and fair value result (following the decline in the first quarter) and the reduction in costs.

International Markets: the -45-million-euro net result breaks down as follows: -6 million euros in Slovakia, 16 million euros in Hungary, 14 million euros in Bulgaria and -70 million euros in Ireland. For the business unit as a whole, the net result was down 80 million euros quarter-on-quarter, or 127 million euros excluding bank taxes. The latter decrease came about mainly on account of higher loan loss impairment charges (in all countries; largely related to the impact of the coronavirus crisis), which were only partially offset by increased trading and fair value income and lower costs.

Group Centre: the net result (-26 million euros) was up 17 million euros quarter-on-quarter, thanks essentially to higher trading and fair value income and increased net interest income, which more than offset the absence of loan loss impairment reversals in the quarter under review and the lower ceded reinsurance result.

Selected ratios by business unit	Belgium		Czech Republic		International Markets	
	1H2020	FY2019	1H2020	FY2019	1H2020	FY2019
Cost/income ratio, banking (excluding certain non-operating items and spreading bank taxes evenly throughout the year)	58%	60%	48%	47%	68%	68%
Combined ratio, non-life insurance	85%	89%	86%	94%	78%	88%
Credit cost ratio*	0.63%	0.22%	0.62%	0.04%	0.82%	-0.07%
Impaired loans ratio	2.4%	2.4%	2.2%	2.3%	7.8%	8.5%

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

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

Equity, solvency and liquidity	Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
	20.2 billion euros	16.6%	136%	142%

At the end of June 2020, total equity amounted to 20.2 billion euros, comprising 18.7 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was down 0.2 billion euros on its level at the end of 2019, owing to the combined effect of a number of items, including the profit for the half-year period (+0.2 billion euros), a decrease in the revaluation reserves for equity instruments of the insurance company (the so-called 'insurance overlay approach'; -0.1 billion euros), translation differences (-0.3 billion euros, due largely to the depreciation of the Czech koruna and Hungarian forint in the period under review) and a number of other minor items. We have provided details of these changes in the 'Consolidated financial statements' section of the quarterly report (under 'Consolidated statement of changes in equity').

At 30 June 2020, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to a solid 16.6%, compared to 16.3% at 31 March 2020 and 17.1% at the end of 2019. Our fully loaded leverage ratio (Basel III, fully loaded) came to 6.0%, compared to 6.8% at the end of 2019. The solvency ratio for KBC Insurance under the Solvency II framework was 198% at the end of June 2020, compared to 202% at the end of 2019.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 136% and an NSFR ratio of 142% at the end of the quarter under review (compared to 138% and 136%, respectively, at the end of 2019).

Analysis of the year-to-date period (1H2020)

Net result

205 million euros

The net result for the first half of 2020 amounted to 205 million euros, compared to 1 175 million euros in the corresponding period of 2019. The decline was largely accounted for by the impact of the coronavirus lockdown and related economic turmoil, which pushed up loan loss impairments from 103 million euros in the first half of 2019 to 966 million euros in the period under review. Moreover, net fee and commission income, trading and fair value income, dividend income and net other income were all down on their reference period levels. On the positive side, net interest income increased slightly and the technical insurance result rose, while costs fell compared to the first half of 2019.

Highlights (compared to the first half of 2019):

- Slightly higher **net interest income** (up 1% to 2 278 million euros), as *inter alia* higher commercial lending volumes (see below), somewhat lower funding costs, the effect of ECB tiering, a larger bond portfolio and the ČMSS impact (consolidated for six months in 2020 compared to just one month in the first half of 2019) more than offset the negative impact of rate cuts in the Czech Republic, the negative effects of lower reinvestment yields, continued pressure on portfolio margins in most core countries (except Belgium), the lower netted positive impact of ALM FX swaps and the depreciation of the Czech koruna and Hungarian forint against the euro. The volume of deposits and debt certificates increased by 7% (or 11% excluding debt certificates) and lending volumes increased by 4%, with growth in all business units. The net interest margin in the first half of 2020 came to 1.89%, down 7 basis points year-on-year.
- An increase in the contribution to profit made by the **technical insurance result** (up 30% to 425 million euros). The non-life insurance technical result was up 27% on the figure for the year-earlier period, thanks largely to the lower level of technical charges (partly related to the lower level of claims due to the lockdown). The year-to-date non-life combined ratio amounted to 83%, compared to 90% for full-year 2019. Life insurance sales (988 million euros) were up by 1%, with the increase in sales of unit-linked products being partly offset by a decrease in sales of guaranteed-interest products.
- Lower **net fee and commission income** (down 3% to 816 million euros), attributable primarily to a decline in fees for asset management services (lower sales and a lower level of assets under management). At the end of June 2020, total assets under management amounted to 202 billion euros, down 4% on the level recorded a year earlier (-1% price decrease, -3% net outflow).
- Lower **trading and fair value income** (down from 97 million euros to -132 million euros). The figure for the first six months of the year is the result of a huge drop in the first quarter (the outbreak of the coronavirus crisis initially caused stock markets to tumble, credit spreads to widen and long-term interest rates to fall) followed by a significant, but still partial, recovery in the second quarter.
- A lower level of all **other income items combined** (down 45% to 135 million euros) attributable to the fact that the reference period had included the ČMSS-related positive one-off gain of 82 million euros and also – to a lesser extent – to lower dividend income.
- Lower **operating expenses** (down 2% to 2 242 million euros). Excluding bank taxes, operating expenses were down 3%, thanks to items such as a reduction in FTEs, lower accruals for variable remuneration, lower travel, marketing, facilities and event costs and the depreciation of the Czech koruna and Hungarian forint against the euro. These items more than offset the higher depreciation charges and the ČMSS impact (consolidated for six months in 2020 compared to just one month in the first half of 2019), among other things. The year-to-date cost/income ratio came to 66%, or an adjusted 59% when bank taxes are evenly spread throughout the year and certain non-operating items are excluded (compared to 58% for full-year 2019).
- A significant increase in **loan loss impairment charges** (net addition of 966 million euros, compared to 103 million euros in the first half of 2019). Over 80% (789 million euros) of these impairment charges in the period under review was related to collective impairment charges for the coronavirus crisis, with 639 million euros based on a 'management overlay' and 150 million euros captured by the ECL models through updated macroeconomic variables. As a result, the credit cost ratio for the whole group went up to 0.64%, compared to 0.12% for full-year 2019.
- The 205-million-euro **net result** for the first half of 2020 breaks down as follows: 119 million euros for the Belgium Business Unit (down 445 million euros on the year-earlier level), 165 million euros for the Czech Republic Business Unit (down 260 million euros), -11 million euros for the International Markets Business Unit (down 185 million euros) and -68 million euros for the Group Centre (down 79 million euros). The result for the International Markets Business Unit for the first half of 2020 included -3 million euros for Slovakia, 25 million euros for Hungary, 24 million euros for Bulgaria and -58 million euros for Ireland.

Risk statement, economic views and guidance

Risk statement

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

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

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

Our view on economic growth

Global economic growth suffered in the second quarter from the coronavirus (Covid-19) pandemic shock, leading to an unprecedented fall in quarterly GDP growth in the euro area and the US. Belgium followed the general euro area trend, whereas Ireland outperformed it, relatively speaking. Central and Eastern European countries were severely hit, too. During the second quarter, however, most advanced economies reopened their economies after intensive lockdown periods, initiating a strong recovery. This rebound became visible in all major economies, with China leading the way and returning to positive growth levels in the second quarter. Sentiment indicators and other data point to a similarly strong recovery in the euro area and the US. Nevertheless, caution is warranted, as the path to recovery could turn out to be a long and bumpy one, and will be heavily reliant on how the Covid-19 situation pans out. New virus outbreaks will undoubtedly slow down the recovery. The other main risk factors include the resurgence of the US-China trade and economic conflict and ongoing Brexit negotiations. Our base-case scenario assumes a steady but gradual path to recovery in both Europe and the US. We forecast for the European and US economy a strong recovery in the third and fourth quarter of 2020 and a continued recovery in 2021. However, risks are tilted to the downside. New outbreaks of Covid-19 followed by partial or full lockdowns may temporarily disrupt the course of recovery. We expect real GDP levels in the euro area to recover to their pre-coronavirus levels by the end of 2023 at the earliest.

Despite the expected recovery, the economic damage caused by the pandemic will be substantial. However, some negative effects have been postponed thanks to the temporary unemployment schemes and temporary moratoria on loans that mitigated the initial impact of the Covid-19 crisis. We expect European unemployment rates to go up in the second half of 2020 and in 2021. Moreover, we expect bankruptcies among European firms to increase, but the effect will be spread over a number of years. Hence non-performing loan ratios will gradually climb.

Our view on interest rates and foreign exchange rates

The recovery is strongly supported by monetary and fiscal stimuli. We expect the ECB – and the Czech and Hungarian National Banks – to keep their policy rates unchanged in the years to come. Additional monetary stimulus measures by the ECB are likely, in the form of additional quantitative easing, in particular by extending the Pandemic Emergency Purchasing Programme. These market interventions will also guarantee low longer-term interest rates and compressed intra-EMU spreads in the coming years, despite country-specific risks (particularly in Southern Europe) and a structural upswing in public deficits and public debt ratios across Europe. Moreover, the ECB will continue to support European financial institutions through the TLTROs and the tiered deposit rate instrument. In recent months, fiscal stimuli have been extended substantially, both at EU level and by the EU member states. The 'Next Generation EU' instrument, launched by the European Commission and approved by the European Council, creates a tool for financial solidarity within the EU and has clearly succeeded in calming the financial markets. Moreover, the number and span of fiscal stimulus initiatives launched by national EU governments continue to increase. Combined monetary and fiscal stimulus will underpin the recovery in Europe, similar to the policy initiatives launched in the US.

The recent recovery of the euro against the US dollar should be seen as market optimism towards the economic recovery in Europe and the policy initiatives to support this trend. We expect the euro to continue its gradual appreciation against the dollar, although the rate at which it appreciates may slow down. Central European currencies have also recovered from their Covid-19 crisis dips. In particular, we expect the Czech koruna and Hungarian forint to remain relatively stable around their current levels in the near future. Bulgaria's accession to the ERM-II is a welcome and expected step towards euro area membership, though that is not expected anytime in the next three years.

Guidance

- Full-year 2020 guidance:
 - *Net interest income*: approximately 4.4 billion euros (up from 4.3 billion euros mentioned in the previous report);
 - *Operating expenses excluding bank taxes*: decrease of approximately 3.5% year-on-year;
 - *Loan loss impairment*: approximately 1.1 billion euros. Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of our core countries, and the unknown number of customers who will call upon these mitigating actions, we estimate loan loss impairment for full-year 2020 to range between approx. 0.8 billion euros (optimistic scenario) and approx.1.6 billion euros (pessimistic scenario);
- The impact of the coronavirus lockdown on digital sales, services and digital signing has so far been very positive. KBC is clearly benefiting from the digital transformation efforts it has made to date;
- Basel IV has been postponed by one year (as of 1 January 2023 instead of 2022);
- In line with the recent ECB recommendation, we cannot execute our usual dividend policy. As a consequence, no interim dividend will be paid out in November 2020;
- We will provide a strategy update together with the results for the third quarter of 2020, while new long-term guidance and our capital deployment plan will be updated when the results for full-year 2020 are published.

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Upcoming events	3Q2020 results and strategy update: 12 November 2020 4Q2020 results and update of new long-term guidance & capital deployment plan: 11 February 2021
More information on 2Q2020	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentation
Detailed impact of coronavirus crisis	Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' Company presentation, section 2 on 'Covid-19'
Definitions of ratios	' Details of ratios and terms at KBC Group level ' in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

2Q 2020 and 1H 2020



Section reviewed by the Auditor

Glossary

AC: Amortised Cost

AFS: Available For Sale (IAS 39)

ALM: Asset Liability Management

ECL: Expected Credit Loss

FA: Financial Assets

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	1H 2020	1H 2019	2Q 2020	1Q 2020	2Q 2019
Net interest income	3.1	2 278	2 261	1 083	1 195	1 132
<i>Interest income</i>	3.1	3 332	3 629	1 497	1 835	1 807
<i>Interest expense</i>	3.1	- 1 054	- 1 367	- 415	- 640	- 675
Non-life insurance (before reinsurance)	3.7	440	335	255	185	174
<i>Earned premiums</i>	3.7	879	840	435	443	425
<i>Technical charges</i>	3.7	- 439	- 505	- 180	- 258	- 251
Life insurance (before reinsurance)	3.7	6	- 2	6	0	1
<i>Earned premiums</i>	3.7	574	668	276	297	317
<i>Technical charges</i>	3.7	- 568	- 669	- 271	- 297	- 316
Ceded reinsurance result	3.7	- 21	- 5	- 13	- 7	1
Dividend income		30	51	17	12	39
Net result from financial instruments at fair value through profit or loss	3.3	- 132	97	253	- 385	- 2
<i>of which result on equity instruments (overlay approach)</i>		- 51	48	31	- 82	19
Net realised result from debt instruments at fair value through OCI		3	2	2	0	0
Net fee and commission income	3.5	816	845	388	429	435
<i>Fee and commission income</i>	3.5	1 188	1 203	559	628	616
<i>Fee and commission expense</i>	3.5	- 371	- 358	- 172	- 199	- 180
Net other income	3.6	102	192	53	50	133
TOTAL INCOME		3 522	3 775	2 043	1 479	1 913
Operating expenses	3.8	- 2 242	- 2 283	- 904	- 1 338	- 988
<i>Staff expenses</i>	3.8	- 1 139	- 1 170	- 545	- 594	- 603
<i>General administrative expenses</i>	3.8	- 925	- 944	- 270	- 654	- 298
<i>Depreciation and amortisation of fixed assets</i>	3.8	- 178	- 169	- 89	- 89	- 87
Impairment	3.10	- 997	- 109	- 857	- 141	- 40
<i>on financial assets at AC and at FVOCI</i>	3.10	- 966	- 103	- 845	- 121	- 36
<i>on goodwill</i>	3.10	0	0	0	0	0
<i>other</i>	3.10	- 32	- 6	- 12	- 20	- 4
Share in results of associated companies and joint ventures		- 7	8	- 3	- 3	4
RESULT BEFORE TAX		276	1 392	279	- 3	889
Income tax expense	3.12	- 71	- 217	- 69	- 2	- 144
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		205	1 175	210	- 5	745
attributable to minority interests		0	0	0	0	0
<i>of which relating to discontinued operations</i>		0	0	0	0	0
attributable to equity holders of the parent		205	1 175	210	- 5	745
<i>of which relating to discontinued operations</i>		0	0	0	0	0
Earnings per share (in EUR)						
Ordinary		0.43	2.75	0.47	-0.04	1.76
Diluted		0.43	2.74	0.47	-0.04	1.76

Overview impact of the overlay approach on the consolidated income statement

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

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to -87 million euros in 1H 2020. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): -137 million euros of which -141 million euros realized and unrealized fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and +3 million euros income taxes;
- IAS 39 result: -51 million euros including net realized result amounting to +70 million euros and impairment loss of -121 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1H 2020	1H 2019	2Q 2020	1Q 2020	2Q 2019
RESULT AFTER TAX	205	1 175	210	- 5	745
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	205	1 175	210	- 5	745
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	- 339	467	406	- 745	222
Net change in revaluation reserve (FVOCI debt instruments)	10	419	192	- 182	226
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 87	139	138	- 225	17
Net change in hedging reserve (cashflow hedges)	- 19	- 100	5	- 24	- 35
Net change in translation differences	- 309	- 6	86	- 395	2
Hedge of net investments in foreign operations	65	11	- 15	80	8
Net change in respect of associated companies and joint ventures	0	2	0	0	4
Other movements	1	1	0	2	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	3	- 4	- 110	113	- 37
Net change in revaluation reserve (FVOCI equity instruments)	- 1	11	3	- 4	4
Net change in defined benefit plans	2	- 13	- 98	100	- 43
Net change in own credit risk	4	- 2	- 13	17	0
Net change in respect of associated companies and joint ventures	- 2	0	- 2	0	1
TOTAL COMPREHENSIVE INCOME	- 131	1 637	506	- 637	930
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	- 131	1 637	506	- 637	930

The largest movements in other comprehensive income (1H 2020 vs. 1H 2019):

- Net change in revaluation reserve (FVOCI debt instruments): the +10 million euros in 1H 2020 includes compensating effects in 1Q and 2Q 2020. The -182 million euros in 1Q 2020 was negatively impacted by higher credit spreads, while the +192 million euros was characterised by lower interest rates and credit spreads. In 1H 2019, the revaluation reserve (FV OCI debt instruments) increased by 419 million euros, positively impacted by lower interest rates. This also largely explains the negative net change in the hedging reserve (cashflow hedge) of -100 million euros in 1H 2019.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -87 million euros in 1H 2020 can be explained by negative fair value movements, partly offset by transfers to net result (impairments partly offset by gains on disposal). In 1H 2019, the +139 million euros can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments).
- The net change in translation differences (-309 million euros) in 1H 2020 was mainly caused by the substantial weakening of the CZK and HUF versus the EUR. This is only partially compensated by the hedge of the net investment in foreign operations (+65 million euros) as the hedging policy of FX participations since mid-2019 aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in defined benefit plans: the +2 million euros in 1H 2020 includes compensating effects in 1Q and 2Q 2020. The +100 million euros in 1Q 2020 is explained by the mortality risk of the KBC pension fund being fully reinsured as of 2020, while the higher discount rate is offset by a negative return on plan assets. In 2Q 2020, the net change in defined benefit plans (-98 million euros) is mainly related to the lower interest rates, which is only partly offset by the positive return on the plan assets.

Consolidated balance sheet

(in millions of EUR)	Note	30-06-2020	31-12-2019
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		23 578	8 356
Financial assets	4.0	283 188	273 399
<i>Amortised cost</i>	4.0	238 198	230 639
<i>Fair value through OCI</i>	4.0	19 288	19 037
<i>Fair value through profit or loss</i>	4.0	25 493	23 563
<i>of which held for trading</i>	4.0	10 321	7 266
<i>Hedging derivatives</i>	4.0	210	158
Reinsurers' share in technical provisions, insurance		133	121
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		1 623	478
Tax assets		1 656	1 396
<i>Current tax assets</i>		136	96
<i>Deferred tax assets</i>		1 520	1 300
Non-current assets held for sale and disposal groups		17	29
Investments in associated companies and joint ventures		22	25
Property, equipment and investment property		3 653	3 818
Goodwill and other intangible assets		1 666	1 640
Other assets		1 852	1 474
TOTAL ASSETS		317 388	290 735
LIABILITIES AND EQUITY			
Financial liabilities	4.0	274 512	248 400
<i>Amortised cost</i>	4.0	252 119	224 093
<i>Fair value through profit or loss</i>	4.0	20 968	23 137
<i>of which held for trading</i>	4.0	6 429	6 988
<i>Hedging derivatives</i>	4.0	1 424	1 171
Technical provisions, before reinsurance		18 775	18 560
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		293	- 122
Tax liabilities		443	478
<i>Current tax liabilities</i>		57	98
<i>Deferred tax liabilities</i>		386	380
Provisions for risks and charges		209	227
Other liabilities		2 946	2 827
TOTAL LIABILITIES		297 178	270 371
Total equity	5.10	20 210	20 365
Parent shareholders' equity	5.10	18 710	18 865
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		317 388	290 735

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-06-2020									
Balance at the end of the previous period	1 458	5 498	- 2	11 875	37	18 865	1 500	0	20 365
Net result for the period	0	0	0	205	0	205	0	0	205
Other comprehensive income for the period	0	0	0	1	- 337	- 336	0	0	- 336
Subtotal	0	0	0	206	- 337	- 131	0	0	- 131
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 25	0	- 25	0	0	- 25
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	1	- 1	0	0	0	0
Purchase/sale of treasury shares	0	0	1	0	0	1	0	0	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	1	183	- 338	- 154	0	0	- 154
Balance at the end of the period	1 458	5 498	- 1	12 058	- 302	18 710	1 500	0	20 210
<i>of which relating to the equity method</i>	-	-	-	-	0	0	0	0	0
2019									
Balance at the end of the previous period	1 457	5 482	- 3	10 901	- 605	17 233	2 400	0	19 633
Net result for the period	0	0	0	2 489	0	2 489	0	0	2 489
Other comprehensive income for the period	0	0	0	- 3	640	637	0	0	637
Subtotal	0	0	0	2 486	640	3 126	0	0	3 126
Dividends	0	0	0	- 1 457	0	- 1 457	0	0	- 1 457
Coupon on AT1	0	0	0	- 52	0	- 52	0	0	- 52
Issue/repurchase of AT1 included in equity	0	0	0	- 2	0	- 2	- 900	0	- 902
Capital increase	1	15	0	0	0	16	0	0	16
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 1	1	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	1	15	0	974	641	1 632	- 900	0	732
Balance at the end of the period	1 458	5 498	- 2	11 875	37	18 865	1 500	0	20 365
<i>of which relating to the equity method</i>	-	-	-	-	2	2	0	0	2

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-06-2019									
Balance at the end of the previous period	1 457	5 482	- 3	10 901	- 605	17 233	2 400	0	19 633
Net result for the period	0	0	0	1 175	0	1 175	0	0	1 175
OCI for the period	0	0	0	1	461	463	0	0	463
Subtotal	0	0	0	1 176	461	1 637	0	0	1 637
Dividends	0	0	0	- 1 040	0	- 1 040	0	0	- 1 040
Coupon on AT1	0	0	0	- 29	0	- 29	0	0	- 29
Issue/repurchase of AT1 included in equity	0	0	0	- 2	0	- 2	- 900	0	- 902
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	0	0	0	0	0	0
Purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	104	461	566	- 900	0	- 334
Balance at the end of the period	1 457	5 482	- 2	11 005	- 144	17 799	1 500	0	19 299
<i>of which relating to application of the equity method</i>	-	-	-	-	9	9	0	0	9

30-06-2020

Please note that, fully in line with the European Central Bank recommendation, the KBC Board of Directors has decided:

- to withdraw the proposal to the Annual Shareholders' meeting of 7 May 2020 to declare a final total (gross) dividend over 2019 profit of 2.5 EUR per share (after an interim dividend of 1 EUR per share that was paid in November 2019 already)
- to cancel the proposed share buy-back program of 5.5 million shares, in deviation from what was announced in the press release of 13 February 2020 at the occasion of the 4th quarter 2019 results publication.
- not to pay out any interim dividend in November 2020, contrary to our general policy on the matter. See also the note on post-balance sheet events further in this report.

30-06-2019

The line 'Dividends' in 1H 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.

The line 'Issue/repurchase of additional Tier-1 instruments included in equity' in 1H 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.

(in millions of EUR)	30-06-2020	31-12-2019	30-06-2019
Revaluation reserve (FVOCI debt instruments)	1 001	992	1 008
Revaluation reserve (FVPL equity instruments) - overlay	263	350	298
Revaluation reserve (FVOCI equity instruments)	29	32	34
Hedging reserve (cashflow hedges)	- 1 350	- 1 331	- 1 363
Translation differences	- 401	- 92	- 79
Hedge of net investments in foreign operations	154	89	97
Remeasurement of defined benefit plans	2	0	- 132
Own credit risk through OCI	0	- 4	- 6
Total revaluation reserves	- 302	37	- 144

Consolidated cash flow statement

(in millions of EUR)	Note (1)	1H 2020	1H 2019
OPERATING ACTIVITIES			
	Consolidated income statement		
Result before tax		276	
Adjustments for non-cash items in profit & loss		1 213	
Changes in operating assets (excluding cash and cash equivalents)		- 10 236	
Changes in operating liabilities (excluding cash and cash equivalents)		27 161	
Income taxes paid		- 303	
Net cash from or used in operating activities		18 112	- 4 877
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	- 4 958	
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		0	
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		28	
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)		- 152	
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		25	
Other		43	
Net cash from or used in investing activities		- 5 014	848
FINANCING ACTIVITIES			
	Consolidated statement of changes in equity		
Purchase or sale of treasury shares		1	
Issue or repayment of promissory notes and other debt securities	4.1	576	
Proceeds from or repayment of subordinated liabilities	4.1	- 65	
Principal payments under finance lease obligations		0	
	Consolidated statement of changes in equity		
Proceeds from the issuance of share capital		0	
	Consolidated statement of changes in equity		
Issue of additional tier-1 instruments		0	
	Consolidated statement of changes in equity		
Proceeds from the issuance of preference shares		0	
	Consolidated statement of changes in equity		
Dividends paid		0	
	Consolidated statement of changes in equity		
Coupon additional Tier-1 instruments		- 25	
Net cash from or used in financing activities		486	- 685

(in millions of EUR)	Note (1)	1H 2020	1H 2019
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		13 584	- 4 715
Cash and cash equivalents at the beginning of the period		29 118	34 354
Effects of exchange rate changes on opening cash and cash equivalents		- 1 330	222
Cash and cash equivalents at the end of the period		41 372	29 860
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	23 578	8 046
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1 667	696
Reverse repos with credit institutions and investment firms at not more than three months	4.1	22 307	26 781
Deposits from banks repayable on demand	4.1	- 6 180	- 5 662
Cash and cash equivalents belonging to disposal groups		0	0
Total		41 372	29 860
<i>of which not available</i>		0	0

(1) The notes referred to do not always contain the exact same amounts as those included in the cashflow statement, as - among other things - adjustments have been made to take account of acquisitions or disposals of subsidiaries, as set out in IAS 7.

As of 2020, we provide additional details on the cash flow statement in the interim reporting (not retroactively).

The net cash from operating activities in 1H 2020 (+18 112 million euros) is mainly explained by +19.5 billion euros TLTRO III funding. In 1H 2019, the negative net cash from operating activities (-4 877 million euros) mainly includes higher term loans and mortgage loans, partly compensated by the realised result.

Net cash from investing activities in 1H 2020 (-5 014 million euros) is mainly explained by additional investments in debt securities at amortised cost. The net cash from investing activities in 1H 2019 (+848 million euros) can be explained by +439 million euros related to the acquisition of the remaining 45% stake in ČMSS (the acquisition price of 240 million euros is more than compensated by available cash and cash equivalents on the balance sheet of ČMSS) and +409 million euros maturing investments in debt securities at amortised cost.

The net cash flow from financing activities in 1H 2020 (+486 million euros) mainly includes the issue of Senior Holdco instruments for 1 billion euros (including the issue of a green bond for 500 million euros), partly offset by repayments. Matured covered bond position of 1 billion euros in May is fully renewed in June.

In 1H 2019 the net cash flow from financing activities (-685 million euros) includes:

- the call by KBC Group NV of Additional Tier-1 instruments that had been issued in 2014, with a nominal value of 1.4 billion euros,
- the issue of Additional Tier-1 instruments included in equity for 500 million euros,
- payment of the closing dividend for 2018 of 2.5 euros per share (a total of 1 040 million euros) and
- the issue of Senior Holdco instruments for 1 500 million euros.

Notes on statement of compliance and changes in accounting policies

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

The condensed interim financial statements of the KBC Group for the period ended 30 June 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

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

- Amendments to IAS 39/IFRS 9 (early adopted in 2019)
 - As part of the IBOR reform, the IASB has published a number of amendments to IAS 39 and IFRS 9 as part of a first phase of its project. The amendments provide temporary relief from adopting specific hedge accounting requirements for hedging relationships directly affected by this reform. For more information regarding the IBOR reform, we refer to the 2019 Annual Report, to the section 'How do we manage our risks?'.

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

- IFRS 17:
 - In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (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 2023 (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 2019)

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

Exchange rates used: during 1H 2020, the exchange rates of the CZK and HUF dropped significantly, with negative impact on the balance sheet total and on the result:

- CZK (1 EUR = ...currency):
 - exchange rate used for balance sheet depreciated versus EUR from 25,408 at year-end 2019 to 26,740 at 30 June 2020;
 - the average rate used for the income statement evolved from 25,704 in 1H 2019 to 26,334 in 1H 2020
- HUF (1 EUR = ...currency):
 - exchange rate used for balance sheet depreciated versus EUR from 330,53 at year-end 2019 to 356,58 at 30 June 2020;
 - the average rate used for the income statement evolved from 320,40 in 1H 2019 to 346,61 in 1H 2020

COVID-19 (note 1.4)

Introduction:

The growing public health crisis around the world has distressed financial markets amid concerns that the global economy, and the EU's economies in particular, are heading towards a sharp contraction in full year 2020. The coronavirus pandemic has triggered a chain of events in the markets that has led to a sharp increase in volatility.

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

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

	 Belgium	 Czech Republic	 Slovakia	 Hungary	 Bulgaria	 Ireland
Deferral of payments	<ul style="list-style-type: none"> • Opt-in: 3 months for consumer finance, 6-9 months for mortgages and non-retail loans, (maximum until 31 Oct 2020 and can be extended to 31 Dec 2020) • For private persons: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients • Interest is accrued over deferral period, with the exception of families with net income less than 1 700 euros. For the latter group, this results in a modification loss for the bank. (-11 million euros in 2Q. Refer to note 3.10) 	<ul style="list-style-type: none"> • Opt-in: 3 or 6 months • Applicable for retail and non-retail clients • For private persons and entrepreneurs: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients • Interest is accrued over the deferral period, but the interest has to be paid in the last instalment, resulting in a modification loss for the bank (-5 million euros in 2Q. Refer to note 3.10) • For consumer loans, the interest during the deferral period cannot exceed 2-week repo rate + 8% 	<ul style="list-style-type: none"> • Opt-in: 9 months or 6 months (for leases) • Applicable for retail customers, SMEs and entrepreneurs • Deferral of principal and interest payments • Interest is accrued over the deferral period, but the client has the option to pay all interests at once after the moratorium or pay on a linear basis. The latter option would result in an immaterial modification loss for the bank 	<ul style="list-style-type: none"> • Opt-out: a blanket moratorium until 31 Dec 2020. • Applicable for retail and non-retail • Deferral of principal and interest payments • Interest is accrued over deferral period, but unpaid interest cannot be capitalised and must be collected on a linear way during the remaining (extended) lifetime. This results in a modification loss for the bank (-18 million euros in 1Q; revised to -11 million euros in 2Q based on the actual opt-out ratio. Refer to note 3.10) 	<ul style="list-style-type: none"> • Opt-in: 6 months (maximum until 31 Mar 2021) • Applicable for retail and non-retail • Deferral of principal and interest payments • In case of principal deferral, the tenor is extended with 6 months • Interest is accrued over deferral period and is payable in 12 months (consumer and non-retail) or 60 months (mortgages) in equal instalments 	<ul style="list-style-type: none"> • Opt-in: 3 to 6 months • Applicable for mortgage loans, consumer finance loans and business banking loans with repayment schedule • Deferral of principal and interest payments for up to 6 months (with revision after 3 months) for Mortgages & Consumer finance and 3 months for business banking • Option for customers to extend their loan term by up to 6 months to match payment break term • Interest is accrued over the deferral period
Guarantee scheme & Liquidity assistance	<ul style="list-style-type: none"> • A state guarantee scheme up to 40 billion euros to cover losses incurred on future non-retail loans granted before 30 Sep 2020 to viable companies, with a tenor of maximum 12 months. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses. Maximum interest is 1,25% • As of 3Q, a revised state guarantee scheme up to 10 billion euros has been offered to cover losses on future SME loans granted before 31 December 2020, with a tenor between 1 and 3 years. Guarantee covers 80% on all losses. Maximum interest is 2% 	<ul style="list-style-type: none"> • The Czech-Moravian Guarantee and Development Bank (CZMRB) launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount (depending on the program and the size of the company). Interest on these loans is subsidised up to 25% (COVID II) • The Export Guarantee and Insurance Corporation (EGAP) under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees 70% to 80% of the loan amount, depending on the rating of the debtor. The program is aimed at companies for which exports accounted for more than 20% of turnover in 2019 	<ul style="list-style-type: none"> • Anti-Corona Guarantee program offered by the Slovak Investment Holding (SIH), aiming at SMEs, consists of two components: (i) a 80% state guarantee with 50% portfolio cap and (ii) the interest rate subsidy reaching up to 4% p.a. • In addition, financial aid in the form of the state guarantee schemes with guarantee fee subsidy can be provided by (i) Export-Import Bank of SR guaranteed up to 80% and for loans < 2 million euros and (ii) Slovak Investment Holding for loans between 2 and 20 million euros, guaranteed up to 90%. No portfolio cap 	<ul style="list-style-type: none"> • A guarantee scheme is provided by Garantiqa and the Hungarian Development Bank. These state guarantees can cover up to 90% of the loans with a maximum tenor of 6 years • Furthermore, the MNB has launched the Funding for growth scheme: A framework amount of 4,2 billion euros for SMEs that can receive loans with a 20 year tenor at maximum interest rate of 2,5% • Annual interest rate on personal loans granted by commercial banks may not exceed the central bank base rate by more than 5pp 	<ul style="list-style-type: none"> • 0.4 billion euros of state guarantees provided by the Bulgarian Development Bank to commercial banks. From this amount, 0.1 billion euros is used to guarantee 100% on consumer loans while 0.3 billion euros is planned to be used to guarantee 80% on non-retail loans 	<ul style="list-style-type: none"> • The Irish authorities put substantial relief measures in place, amongst others via the SBCI. KBC Bank Ireland is mainly focused on individual customers, therefore the relief programs for business customers are less relevant.

Main Corona related items affecting the 1H 2020 results and revaluation reserves:

1. Expected credit losses (ECL)

As in the first quarter, our ECL models were not able to adequately reflect all the specificities of the Covid-19 crisis nor the various government measures implemented in the different countries to support households, SME's and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level has been performed to take into account the macroeconomic circumstances and the different government measures via a management overlay. In the first quarter, this exercise was performed for a certain number of (sub)sectors. The main reason for limiting the scope of the exercise was the significant uncertainty about how the virus would spread, the extent of the consequential lockdown measures and the government response to the economic instability. Over the last few months, the lockdowns have been gradually eased to a certain extent. Governments, most notably the EU, and central banks have announced measures to support the recovery. The significant uncertainty still exists, especially around the possibility and timing of resurgence of the virus or even a return in several waves, but the widespread extent of the economic crunch has become clearer. Therefore, in the approach applied for this quarter, the scope of the management overlay has been expanded to include all sectors of our corporate and SME portfolio as well as our retail portfolio.

(in billions of EUR)	30-06-2020	31-03-2020	31-12-2019
Portfolio outstanding	179	180	175
Retail	41%	40%	42%
of which mortgages	38%	37%	38%
of which consumer finance	3%	3%	3%
SME	21%	21%	22%
Corporate	38%	39%	37%

Total loan portfolio by IFRS 9 ECL stage *

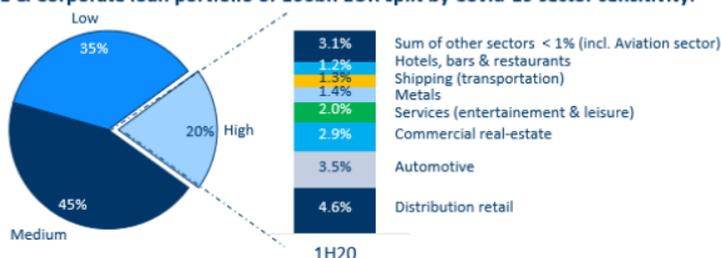


For the 30 June performing portfolio, a 3-step approach was applied to estimate the additional Covid-19 impact for the performing portfolio:

- 1) Similar to the first quarter, the methodology used for this purpose starts from the updated forecast of the KBC Group Chief Economist for end June 2020 (see paragraph Economic scenarios below for more details on these forecasts). The base scenario was translated to expert-based stress migration matrices, per country and per segment. The portfolio is transformed using this migration matrix, whereby a certain portion moved to inferior PD rating classes or default, a certain portion remained unchanged and a minor portion improved. After this transformation, the ECL is calculated again based on the new portfolio structure, including staging. The estimate of Covid-19 base-case ECL impact is the difference between the ECL calculated on the portfolio before and after applying the stressed migration matrix.
- 2) A sectoral effect is incorporated in the calculation to refine the Covid-19 ECL. The purpose of this step is to reflect the fact that some sectors will be more heavily affected than others, something which had not been included in the migration matrices. All exposures in the SME and Corporate portfolio were classified as high, medium or low risk based on the expected impact of the Covid-19 crisis on the sector affected (for Mortgages and Consumer finance, no sectoral stress was applied). Based on this classification, the following expert-based weights have been applied to the ECL impact: 150% for high risk sectors, 100% for medium risk sectors and 50% for low risk sectors. This resulted in a sector driven Covid-19 base-case ECL following the base-case scenario.
- 3) A probability weighted management overlay was calculated based on the base-case, optimistic and pessimistic scenarios and attributed weights of the KBC Group Chief Economist. To determine the collective Covid-19 impact under an optimistic and pessimistic scenario an expert-based scaling factor was applied on the estimated sector driven Covid-19 base-case ECL. The final overlay was determined by weighting the Covid-19 ECL under the three scenarios with the following weights: 45% for the base-case, 15% for the optimistic and 40% for the pessimistic scenario.

* This graph does not include the stage transfers embedded underlying in the forecasted collective Covid-19 ECL, which amount to a net staging of 5%-points of the total portfolio from stage 1 to stage 2 and of 1%-point from stage 1 & 2 to stage 3.

SME & Corporate loan portfolio of 106bn EUR split by Covid-19 sector sensitivity:



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

Sector-driven Covid-19 ECL (base-case):

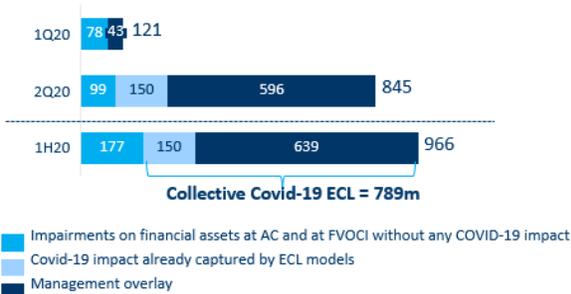
KBC Group EUR m	Performing portfolio				TOTAL
	High risk sectors	Medium risk sectors	Low risk sectors	Mortgages & other retail	
	150%	100%	50%		
Base-case scenario	175	244	68	124	611
Optimistic scenario	146	200	52	86	484
Pessimistic scenario	248	337	96	189	870

Collective Covid-19 ECL per country:

KBC Group EUR m	Performing portfolio				Non-Performing portfolio	Total 1H20	2Q20 1Q20	
	Optimistic 15%	Base 45%	Pessimistic 40%	Probability weighted				
KBC Group	484	611	870	696	93	789	746	43
<i>By country:</i>								
Belgium	285	355	478	393	20	413	378	35
Czech Republic	103	129	186	148	10	158	152	6
Slovakia	30	34	50	40	0	40	39	1
Hungary	37	48	69	55	0	55	54	1
Bulgaria	5	14	19	15	13	28	28	n/a
Ireland	24	32	68	45	50	95	95	n/a

The 3-step stress approach to the performing portfolio and the additional impact assessment of the non-performing portfolio resulted in a total collective Covid-19 ECL of 789 million euros (P&L charge in 1H20). In 2Q20, the ECL models captured 150 million euros of this impact through the updated macroeconomic variables used in the calculation (36% in stage 1, 35% in stage 2 and 29% in stage 3). Hence, the total Covid-19 management overlay in the books per 30-06-2020 amounts to 639 million euros, of which 43 million euros was accounted for in 1Q 2020 and 596 million euros in 2Q 2020. As in 1Q 2020, the management overlay is fully presented as stage 2, with the exception of the management overlay on the existing non-performing portfolio.

Impairment on financial assets at AC and at FVOCI



Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to 0.64%.

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

* No annualization of the Collective Covid-19 ECL

Economic scenarios

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

OPTIMISTIC SCENARIO	BASE SCENARIO	PESSIMISTIC SCENARIO
Virus spread quickly and definitely brought under control permanently, with no further risk of future lockdowns, fast decline in number of cases	Virus spread and impact under control without additional extensive lockdown measures	Spread continues until vaccination becomes available, with partial or full lockdowns
Steep and steady recovery from 3Q20 onwards with a fast return to pre-Covid-19 activity levels	More moderate, but still steady recovery from 3Q20 onwards with a recovery to pre-Covid-19 activity levels by end 2023	Longer term stagnation and negative growth, with unsteady recovery path
Sharp, short V pattern	Pronounced V/U-pattern	More L-like pattern, with right leg only slowly increasing

Despite a gradual lifting of lockdown measures in many countries, there remains substantial uncertainty about the economic impact of the precautionary lockdown measures as well as about the policy reactions to mitigate the impact of the crisis. Because of this uncertainty, the KBC Group Chief Economist continues to work with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario. The definition of each scenario remains approximately the same as in the previous quarter, but we are assigning the following probabilities: 45% for the base-case scenario, 40% for the pessimistic and 15% for the optimistic scenario.

The following table (in line with the KBC Group Chief Economist's forecasts of June 2020) gives these scenarios for three key indicators (GDP growth, unemployment rate and house price index) for each of our core countries for the next three years. After that, we take into account a gradual linear transition towards a steady state.

Macroeconomic base scenario – key indicators (June 2020)	2020			2021			2022			
	Scenario	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Real GDP growth										
Euro area	-6.0%	-9.6%	-14.0%	6.5%	6.2%	-3.2%	1.3%	1.2%	5.0%	
Belgium	-5.0%	-9.5%	-13.2%	6.0%	5.7%	-3.2%	1.3%	1.3%	5.0%	
Czech Republic	-5.0%	-10.0%	-15.0%	4.0%	6.0%	3.0%	2.5%	3.5%	2.7%	
Hungary	-3.0%	-6.2%	-10.0%	4.0%	5.0%	4.0%	3.5%	3.5%	3.5%	
Slovakia	-5.0%	-10.0%	-14.0%	4.5%	7.0%	1.5%	2.6%	4.5%	2.5%	
Bulgaria	-4.0%	-8.0%	-12.0%	3.0%	5.0%	4.0%	3.0%	3.0%	3.0%	
Ireland	-2.0%	-5.0%	-10.0%	2.0%	4.0%	1.0%	2.6%	3.5%	2.5%	
Unemployment rate										
Belgium	5.9%	7.2%	10.0%	5.8%	7.6%	12.0%	5.6%	6.9%	9.5%	
Czech Republic	3.1%	5.2%	7.0%	3.5%	5.7%	7.1%	3.0%	4.6%	7.6%	
Hungary	4.8%	6.4%	9.0%	4.2%	5.6%	7.5%	4.0%	4.8%	5.9%	
Slovakia	8.0%	9.0%	12.0%	9.2%	10.5%	13.0%	7.7%	8.0%	14.0%	
Bulgaria	6.0%	8.0%	11.0%	4.1%	10.0%	13.0%	4.2%	7.0%	12.0%	
Ireland	8.2%	11.0%	20.0%	6.1%	7.0%	16.0%	5.1%	6.0%	10.0%	
House price index										
Belgium	-1.0%	-3.0%	-6.0%	0.0%	-2.0%	-4.0%	1.5%	1.0%	-1.0%	
Czech Republic	0.0%	-2.0%	-4.0%	-0.8%	-3.5%	-6.0%	2.0%	2.0%	0.0%	
Hungary	-1.0%	-5.0%	-7.5%	0.0%	-3.0%	-5.0%	2.5%	2.0%	1.0%	
Slovakia	-1.0%	-5.0%	-7.0%	0.5%	-2.0%	-3.0%	2.0%	2.0%	1.0%	
Bulgaria	0.5%	-2.0%	-4.0%	1.0%	-1.0%	-3.0%	3.0%	3.0%	0.0%	
Ireland	-6.0%	-12.0%	-20.0%	5.0%	8.0%	-5.0%	4.0%	5.0%	3.0%	

2. Net interest income:

Net interest income was negatively impacted in 1H 2020 following multiple repo rate cuts of the Czech National Bank.

3. Net fee and commission income

Net fee and commission income was negatively impacted by the coronavirus pandemic for asset management related fees (lower entry fees due to decreased sales and margins; lower management fees due to a lower average level of assets under management in combination with lower margins). Moreover, fees related to banking services also went down (payment services fees, for instance lower activity level due to the lockdown).

4. Financial instruments at fair value through P&L:

Financial instruments at fair value through P&L have been negatively affected by the increased volatility in financial markets in 1H 2020, leading to a net result on financial instruments at fair value through profit or loss of -0.1 billion euros in 1H 2020 (-0.4 billion euros in 1Q 2020 due to lower stock markets, widened credit spreads and lower long-term interest rates, partly recovered in 2Q 2020 for +0,3 billion euros). For more information: see note 3.3 further in this report.

5. Insurance contracts:

Elevated technical results in Non-life 1H 2020 supported by a low claims level as a result of the lockdown. The context of Covid-19 is even more challenging for life sales in interest guaranteed products.

6. Operating expenses

Operating expenses were favorably impacted by the Covid-19 crisis as cost saving measures were introduced, leading to, among other things, lower staff expenses (of which a decrease in accruals for variable remuneration, lower FTEs), lower marketing, travel and facility costs.

7. Goodwill:

We have performed an ad-hoc assessment of goodwill impairment indication. The outcome shows no indication of impairment.

- For UBB and CMSS, the sensitivity analysis shows that structural decreases over the entire forecasting horizon in annual profit of respectively 17% and 12% or increases in annual impairment of respectively 89% and 180% would trigger a goodwill impairment. However, these sensitivities are considered to be too harsh to trigger an impairment in light of the recent situation.
- For K&H, DZI and CSOB Bank CZ, the impairment buffer is sufficiently large and we do not expect the short-term deviations to trigger an impairment.

8. Deferred tax:

We have investigated whether it is probable that taxable profit will be available against which the deductible temporary differences can be utilised based on projections for a period of eight to ten years. The conclusion of this analysis is that there are sufficient estimated taxable profits available.

9. Revaluation reserves:

The impact of Covid-19 on the financial markets is also reflected in a downward movement of the revaluation reserves in OCI in 1H 2020, more specifically on the revaluation reserve (FVPL equity instruments) – overlay approach and the translation differences. For more information, see text below the table Other Comprehensive income.

10. Liquidity and funding

KBC has maintained its strong liquidity position throughout the COVID-19 crisis. The Liquidity Coverage Ratio (LCR) of KBC Bank, which gives an idea of the bank's liquidity position in the short term, remained roughly stable in 1H 2020 and amounted to 136% at the end of June 2020. The Net Stable Funding Ratio (NSFR) of KBC Bank, which gives an idea of the bank's structural liquidity position in the long term, amounted to a high 142% at the end of June 2020 (compared to 136% at the end of December 2019).

11. Impact on the acquisition of OTP Banka Slovensko

The approval process is still ongoing.

Notes on segment reporting

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

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

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	Of which:				Group Centre	Total
				Hungary	Slovakia	Bulgaria	Ireland		
1H 2020									
Net interest income	1 275	587	438	127	100	72	140	- 22	2 278
Non-life insurance (before reinsurance)	278	69	85	32	15	38	0	7	440
Earned premiums	564	148	161	73	25	62	0	7	879
Technical charges	- 285	- 79	- 76	- 42	- 10	- 24	0	1	- 439
Life insurance (before reinsurance)	- 37	26	17	3	6	8	0	0	6
Earned premiums	424	97	53	17	17	19	0	- 1	574
Technical charges	- 461	- 70	- 36	- 13	- 12	- 11	0	0	- 568
Ceded reinsurance result	- 19	0	- 6	- 2	- 1	- 3	0	4	- 21
Dividend income	27	1	0	0	0	0	0	2	30
Net result from financial instruments at fair value through profit or loss	- 68	- 35	9	12	- 1	0	- 2	- 39	- 132
Net realised result from debt instruments at fair value through OCI	1	0	1	0	1	0	0	0	3
Net fee and commission income	579	106	135	95	29	12	- 1	- 3	816
Net other income	79	12	11	2	5	2	0	0	102
TOTAL INCOME	2 114	766	692	270	154	129	137	- 51	3 522
Operating expenses	- 1 349	- 385	- 463	- 170	- 110	- 76	- 107	- 45	- 2 242
Impairment	- 586	- 184	- 236	- 66	- 48	- 28	- 95	9	- 997
on financial assets at amortised cost and at fair value through OCI	- 574	- 178	- 222	- 54	- 48	- 26	- 95	9	- 966
on goodwill	0	0	0	0	0	0	0	0	0
other	- 11	- 6	- 14	- 12	0	- 2	0	0	- 32
Share in results of associated companies and joint ventures	- 6	- 1	0	0	0	0	0	0	- 7
RESULT BEFORE TAX	174	196	- 8	34	- 4	26	- 66	- 86	276
Income tax expense	- 55	- 30	- 3	- 9	1	- 3	8	18	- 71
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	119	165	- 11	25	- 3	24	- 58	- 68	205
attributable to minority interests	0	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	119	165	- 11	25	- 3	24	- 58	- 68	205
1H 2019									
Net interest income	1 245	610	427	126	102	70	130	- 21	2 261
Non-life insurance (before reinsurance)	205	56	69	23	14	32	0	5	335
Earned premiums	545	136	155	73	23	60	0	5	840
Technical charges	- 340	- 80	- 86	- 49	- 9	- 28	0	0	- 505
Life insurance (before reinsurance)	- 49	29	18	4	6	8	0	0	- 2
Earned premiums	501	117	50	8	21	20	0	0	668
Technical charges	- 550	- 88	- 32	- 4	- 15	- 12	0	0	- 669
Ceded reinsurance result	12	- 4	- 5	- 1	- 1	- 3	0	- 8	- 5
Dividend income	49	0	0	0	0	0	0	2	51
Net result from financial instruments at fair value through profit or loss	97	- 37	20	18	- 2	8	- 4	17	97
Net realised result from debt instruments at fair value through OCI	0	0	1	0	1	0	0	0	2
Net fee and commission income	578	125	146	104	32	12	- 2	- 3	845
Net other income	95	97	0	1	3	0	- 4	- 1	192
TOTAL INCOME	2 234	875	676	275	155	126	121	- 10	3 775
Operating expenses	- 1 383	- 383	- 472	- 183	- 107	- 76	- 107	- 45	- 2 283
Impairment	- 114	- 5	1	3	- 11	- 3	12	10	- 109
on financial assets at amortised cost and at fair value through OCI	- 113	- 2	2	3	- 11	- 3	12	10	- 103
on goodwill	0	0	0	0	0	0	0	0	0
other	- 2	- 3	- 1	0	0	0	0	0	- 6
Share in results of associated companies and joint ventures	- 2	9	2	0	0	0	0	0	8
RESULT BEFORE TAX	734	495	207	94	38	47	26	- 45	1 392
Income tax expense	- 170	- 70	- 32	- 15	- 9	- 5	- 3	56	- 217
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	564	425	175	79	29	42	22	11	1 175
attributable to minority interests	0	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	564	425	175	79	29	42	22	11	1 175

Other notes

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

(in millions of EUR)	1H 2020	1H 2019	2Q 2020	1Q 2020	2Q 2019
Total	2 278	2 261	1 083	1 195	1 132
Interest income	3 332	3 629	1 497	1 835	1 807
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	2 568	2 743	1 181	1 386	1 383
Financial assets at FVOCI	163	166	80	83	78
Hedging derivatives	235	247	101	134	128
Financial liabilities (negative interest)	55	24	34	20	11
Other	6	11	3	3	4
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	5	3	3	3	1
Financial assets held for trading (*)	300	434	95	206	201
Of which economic hedges (*)	279	421	82	197	195
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-1 054	-1 367	- 415	- 640	- 675
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 455	- 671	- 171	- 284	- 332
Financial assets (negative interest)	- 18	- 48	- 8	- 10	- 24
Hedging derivatives	- 335	- 330	- 158	- 177	- 167
Other	- 3	- 3	- 1	- 2	- 2
Interest expense on other financial instruments					
Financial liabilities held for trading (*)	- 222	- 291	- 67	- 155	- 139
Of which economic hedges (*)	- 205	- 274	- 60	- 145	- 130
Other financial liabilities at FVPL	- 19	- 20	- 9	- 10	- 11
Net interest expense relating to defined benefit plans	- 2	- 4	- 1	- 1	- 2

(*) 1Q 2020: corrected figure without impact on net interest income.

The vast majority of negative interest on financial liabilities and financial assets relates to transactions with central banks, interbank and professional counterparties as well as the TLTRO.

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

The result from financial instruments at fair value through profit or loss in 2Q 2020 is 638 million euros higher compared to 1Q 2020. The quarter-on-quarter increase is due to:

- Positive market value adjustments in 2Q 2020 compared to very negative market value adjustments in 1Q 2020, mainly as a result of changes in the underlying market value of the derivatives portfolio thanks to decreasing counterparty credit spreads and KBC funding spread, while further decrease of long-term interest rates is levelled out by increasing equity markets.
- Excellent dealing room income in 2Q 2020 compared to negative dealing room income in 1Q 2020
- Positive net result on equity instruments (insurance) in 2Q 2020 compared to negative net result in 1Q 2020, driven by much lower impairments on equity instruments
- Slightly negative MTM ALM derivatives in 2Q 2020 compared to very negative MTM ALM derivatives in 1Q 2020

Compared to 2Q 2019, the result from financial instruments at fair value through profit or loss is 256 million euros higher in 2Q 2020, for a large part explained by:

- Highly positive dealing room income in 2Q 2020 compared to only slightly positive dealing room income in 2Q 2019
- Highly positive market value adjustments in 2Q 2020 compared to slightly negative market value adjustments in 2Q 2019
- Higher positive net result on equity instruments (insurance) in 2Q 2020 compared to 2Q 2019, driven by higher realized gains in 2Q 2020
- Slightly negative MTM ALM derivatives in 2Q 2020 compared to more negative MTM ALM derivatives in 2Q 2019

The result from financial instruments at fair value through profit or loss in 1H 2020 is 229 million euros lower compared to 1H 2019, for a large part explained by:

- Negative net result on equity instruments (insurance) in 1H 2020 compared to positive net result on equity instruments (insurance) in 1H 2019, driven by higher impairments on equity instruments due to the decreasing equity markets in 1Q 2020, only partly compensated by higher realized gains thanks to higher though not fully recovered equity markets in 2Q 2020
- Very negative market value adjustments in 1H 2020 compared to only slightly negative market value adjustments in 1H 2019, mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates, decreasing equity markets and increasing counterparty credit spreads and KBC funding spread in 1Q 2020. This was only partly recovered in 2Q 2020, with decreasing counterparty credit spreads and KBC funding spread, while further decrease of long-term interest rates is levelled out by increasing equity markets
- Very negative MTM ALM derivatives in 1H 2020 compared to slightly negative MTM ALM derivatives in 1H 2019

only partly compensated by:

- Higher dealing room income in the Czech Republic, partly offset by a lower dealing room income in Belgium.

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

(in millions of EUR)	1H 2020	1H 2019	2Q 2020	1Q 2020	2Q 2019
Total	816	845	388	429	435
Fee and commission income	1 188	1 203	559	628	616
Fee and commission expense	- 371	- 358	- 172	- 199	- 180
Breakdown by type					
Asset Management Services	507	534	237	270	270
Fee and commission income	535	562	250	285	285
Fee and commission expense	- 28	- 28	- 13	- 15	- 14
Banking Services	448	449	219	229	230
Fee and commission income	610	609	291	319	315
Fee and commission expense	- 162	- 160	- 72	- 90	- 85
Distribution	- 138	- 138	- 68	- 71	- 65
Fee and commission income	42	32	19	24	16
Fee and commission expense	- 181	- 170	- 86	- 95	- 82

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

(in millions of EUR)	1H 2020	1H 2019	2Q 2020	1Q 2020	2Q 2019
Total	102	192	53	50	133
of which gains or losses on					
Sale of financial assets measured at amortised cost	10	4	2	8	0
Repurchase of financial liabilities measured at amortised cost	0	0	0	0	0
of which other, including:	93	188	51	42	133
Income from (mainly operational) leasing activities, KBC Lease Group	39	39	20	19	20
Income from VAB Group	25	22	13	12	11
One-off effect revaluation of 55% share in CMSS	0	82	0	0	82
Settlement of legacy legal cases	0	6	0	0	0
Provisioning for tracker mortgage review	0	- 4	0	0	- 4

Note : in 1H 2019

- 82 million euros one-off gain in Czech Republic as a result of the revaluation of KBC's 55% stake in ČMSS related to the acquisition in 2Q 2019 of the remaining 45% stake
- settlement of legacy legal cases concerns Czech Republic (6 million euros)

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

(in millions of EUR)	Life	Non-life	Non-technical account	Total
1H 2020				
Earned premiums, insurance (before reinsurance)	574	888	-	1 461
of which change in provision unearned premiums	- 1	- 188	-	- 189
Technical charges, insurance (before reinsurance)	- 568	- 440	-	- 1 008
Claims paid	- 570	- 416	-	- 986
Changes in technical provisions	16	7	-	24
Other technical result	- 14	- 31	-	- 45
Net fee and commission income	- 1	- 171	-	- 172
Ceded reinsurance result	- 1	- 20	-	- 21
General administrative expenses	- 81	- 127	- 1	- 209
Internal claims settlement expenses	- 4	- 31	-	- 35
Indirect acquisition costs	- 17	- 37	-	- 54
Administrative expenses	- 61	- 59	-	- 119
Investment management fees	0	0	- 1	- 1
Technical result	- 77	130	- 1	52
Investment Income (*)	142	25	22	190
Technical-financial result	65	155	21	241
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	65	155	21	241
Income tax expense	-	-	-	- 65
RESULT AFTER TAX	-	-	-	176
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	176
1H 2019				
Earned premiums, insurance (before reinsurance)	668	851	-	1 519
of which change in provision unearned premiums	- 1	- 201	-	- 202
Technical charges, insurance (before reinsurance)	- 669	- 506	-	- 1 176
Claims paid	- 571	- 434	-	- 1 005
Changes in technical provisions	- 136	- 40	-	- 176
Other technical result	38	- 32	-	6
Net fee and commission income	- 13	- 163	-	- 176
Ceded reinsurance result	- 1	- 4	-	- 5
General administrative expenses	- 82	- 127	- 1	- 211
Internal claims settlement expenses	- 4	- 30	-	- 35
Indirect acquisition costs	- 15	- 35	-	- 51
Administrative expenses	- 63	- 61	-	- 124
Investment management fees	-	-	- 1	- 1
Technical result	- 98	50	- 1	- 49
Investment Income (*)	249	43	23	315
Technical-financial result	151	94	21	266
Share in results of associated companies and joint ventures	-	-	2	2
RESULT BEFORE TAX	151	94	23	268
Income tax expense	-	-	-	- 47
RESULT AFTER TAX	-	-	-	221
attributable to minority interest	-	-	-	-
attributable to equity holders of the parent	-	-	-	221

(*)1H 2020 consists of (in millions of EUR): Net interest income (218), Net Dividend income (17), Net result from financial instruments at fair value through profit and loss (-47), Net other income (7) and Impairment (-6).

1H 2019 consists of (in millions of EUR): Net interest income (232), Net Dividend income (31), Net result from financial instruments at fair value through profit and loss (53), Net realised result from debt instruments at fair value through OCI (1), Net other income (0) and Impairment (-2).

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

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

In 1H 2020 the technical result non-life was negatively impacted by storms in Belgium, Czech Republic and Hungary in 1Q 2020 for an amount of -51 million euros (pre-tax, before reinsurance). This was offset by a low claims level largely as a result of the lockdown in 2Q 2020.

In 1H 2019 the technical result non-life was negatively impacted by:

- Storms in Belgium and Czech Republic (before tax and before reinsurance) for an amount of about -60 million euros. The net impact in 1H 2019 after reinsurance amounts to -50 million euros.
- Large fire claims in 1H 2019 in Belgium of -23 million euros (before tax, before reinsurance).
- Reassessment of claims provisions in 2Q 2019 of -16 million euros (before tax).

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

The operating expenses for 2Q 2020 include 27 million euros related to bank (and insurance) levies (407 million euros in 1Q 2020; 30 million euros in 2Q 2019), 434 million euros in 1H 2020 and 413 million euros in 1H 2019). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

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

(in millions of EUR)	1H 2020	1H 2019	2Q 2020	1Q 2020	2Q 2019
Total	- 997	- 109	- 857	- 141	- 40
Impairment on financial assets at AC and at FVOCI	- 966	- 103	- 845	- 121	- 36
Of which impairment on financial assets at AC	- 962	- 103	- 842	- 120	- 35
By product					
Loans and advances	- 948	- 95	- 837	- 111	- 33
Debt securities	0	- 1	0	0	0
Off-balance-sheet commitments and financial guarantees	- 14	- 7	- 5	- 9	- 3
By type					
Stage 1 (12-month ECL)	- 60	- 17	- 52	- 8	- 15
Stage 2 (lifetime ECL)	- 663	- 4	- 618	- 46	- 11
Stage 3 (non-performing; lifetime ECL)	- 236	- 88	- 171	- 65	- 18
Purchased or originated credit impaired assets	- 3	6	- 2	- 1	9
Of which impairment on financial assets at FVOCI	- 4	0	- 3	- 1	0
Debt securities	- 4	0	- 3	- 1	0
Stage 1 (12-month ECL)	- 1	- 1	- 1	0	0
Stage 2 (lifetime ECL)	- 3	1	- 2	- 1	0
Stage 3 (non-performing; lifetime ECL)	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 32	- 6	- 12	- 20	- 4
Intangible fixed assets (other than goodwill)	- 2	- 3	- 2	0	- 3
Property, plant and equipment (including investment property)	- 1	- 1	0	0	- 1
Associated companies and joint ventures	0	0	0	0	0
Other	- 29	- 1	- 9	- 19	0

The impairments on financial assets at AC in 1H 2020 include -789 million euros collective Covid-19 ECL (of which -43 million euros in 1Q 2020 and -746 million euros in 2Q 2020). For more information, see note 1.4 of this report.

The stage 3 impairments in 1H 2020 and 1H 2019 are attributable mainly to loan loss impairments in Belgium due to a number of corporate files.

The impairment on other (Other) include -27 million euros in 1H 2020 (respectively -18 and -9 million euros in 1Q and 2Q 2020) related to modification losses in Belgium, Czech Republic and Hungary. For more information, see note 1.4 of this report.

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

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO	Hedging deriva- tives	Total
FINANCIAL ASSETS, 30-06-2020								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 753	0	0	0	1	0	0	6 754
of which repayable on demand and term loans at not more than three months								1 667
Loans and advances to customers (excl. reverse repos)	157 277	0	286	0	0	0	0	157 563
Trade receivables	1 689	0	0	0	0	0	0	1 689
Consumer credit	5 300	0	181	0	0	0	0	5 481
Mortgage loans	67 835	0	96	0	0	0	0	67 931
Term loans	70 482	0	9	0	0	0	0	70 491
Finance lease	5 753	0	0	0	0	0	0	5 753
Current account advances	5 158	0	0	0	0	0	0	5 158
Other	1 059	0	0	0	0	0	0	1 059
Reverse repos	25 365	0	0	0	379	0	0	25 744
with credit institutions and investment firms	24 125	0	0	0	379	0	0	24 504
with customers	1 240	0	0	0	0	0	0	1 240
Equity instruments	0	257	7	1 171	430	0	0	1 864
Investment contracts (insurance)	0	0	13 655	0	0	0	0	13 655
Debt securities issued by	47 510	19 031	53	0	3 673	0	0	70 267
Public bodies	41 136	12 929	0	0	3 616	0	0	57 680
Credit institutions and investment firms	3 754	2 665	0	0	18	0	0	6 437
Corporates	2 621	3 437	53	0	39	0	0	6 150
Derivatives	0	0	0	0	5 836	0	210	6 046
Other	1 293	0	0	0	3	0	0	1 296
Total	238 198	19 288	14 001	1 171	10 321	0	210	283 188
FINANCIAL ASSETS, 31-12-2019								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 398	0	0	0	1	0	0	5 399
of which repayable on demand and term loans at not more than three months								468
Loans and advances to customers (excl. reverse repos)	155 598	0	218	0	0	0	0	155 816
Trade receivables	1 885	0	0	0	0	0	0	1 885
Consumer credit	5 383	0	122	0	0	0	0	5 505
Mortgage loans	67 711	0	85	0	0	0	0	67 796
Term loans	68 867	0	10	0	0	0	0	68 877
Finance lease	5 926	0	0	0	0	0	0	5 926
Current account advances	4 979	0	0	0	0	0	0	4 979
Other	847	0	0	0	0	0	0	847
Reverse repos	25 596	0	0	0	0	0	0	25 596
with credit institutions and investment firms	25 445	0	0	0	0	0	0	25 445
with customers	151	0	0	0	0	0	0	151
Equity instruments	0	249	7	1 431	833	0	0	2 519
Investment contracts (insurance)	0	0	14 584	0	0	0	0	14 584
Debt securities issued by	42 998	18 788	58	0	1 269	0	0	63 114
Public bodies	37 024	12 370	0	0	1 149	0	0	50 542
Credit institutions and investment firms	3 632	2 753	0	0	20	0	0	6 405
Corporates	2 343	3 666	58	0	99	0	0	6 167
Derivatives	0	0	0	0	5 163	0	158	5 322
Other	1 049	0	0	0	0	0	0	1 049
Total	230 639	19 037	14 867	1 431	7 266	0	158	273 399

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total
FINANCIAL LIABILITIES, 30-06-2020					
Deposits from credit institutions and investment firms (excl. repos)	37 401	0	0	0	37 401
of which repayable on demand					6 180
Deposits from customers and debt securities (excl. repos)	208 594	183	2 035	0	210 811
Demand deposits	95 792	0	0	0	95 792
Time deposits	14 341	29	173	0	14 543
Savings accounts	71 964	0	0	0	71 964
Special deposits	2 478	0	0	0	2 478
Other deposits	250	0	0	0	250
Certificates of deposit	6 085	0	6	0	6 092
Savings certificates	690	0	0	0	690
Non-convertible bonds	14 737	154	1 701	0	16 593
Non-convertible subordinated liabilities	2 255	0	153	0	2 408
Repos	3 228	2	0	0	3 229
with credit institutions and investment firms	2 348	0	0	0	2 348
with customers	880	1	0	0	881
Liabilities under investment contracts	0	0	12 505	0	12 505
Derivatives	0	5 238	0	1 424	6 662
Short positions	0	1 007	0	0	1 007
In equity instruments	0	12	0	0	12
In debt securities	0	995	0	0	995
Other	2 897	0	0	0	2 897
Total	252 119	6 429	14 539	1 424	274 512
FINANCIAL LIABILITIES, 31-12-2019					
Deposits from credit institutions and investment firms (excl. repos)	18 731	0	0	0	18 731
of which repayable on demand					4 669
Deposits from customers and debt securities (excl. repos)	200 607	223	2 539	0	203 369
Demand deposits	85 626	0	0	0	85 626
Time deposits	15 271	39	184	0	15 494
Savings accounts	69 057	0	0	0	69 057
Special deposits	2 465	0	0	0	2 465
Other deposits	542	0	0	0	542
Certificates of deposit	10 538	0	8	0	10 546
Savings certificates	1 025	0	0	0	1 025
Non-convertible bonds	13 756	183	2 200	0	16 139
Non-convertible subordinated liabilities	2 327	0	147	0	2 474
Repos	2 565	0	0	0	2 565
with credit institutions and investment firms	2 262	0	0	0	2 262
with customers	302	0	0	0	303
Liabilities under investment contracts	0	0	13 610	0	13 610
Derivatives	0	5 057	0	1 171	6 227
Short positions	0	1 708	0	0	1 708
In equity instruments	0	14	0	0	14
In debt securities	0	1 693	0	0	1 693
Other	2 190	0	0	0	2 190
Total	224 093	6 988	16 149	1 171	248 400

Deposits from credit institutions and investment firms' include funding obtained from the ECB's TLTRO programme. In 2Q 2020, KBC participated in TLTRO III for an amount of 19.5 billion euros.

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

(in millions of EUR)	30-06-2020				31-12-2019	
	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances (*)	193 064	- 3 669	189 395	189 446	- 2 855	186 592
Stage 1 (12-month ECL)	168 977	- 177	168 800	165 326	- 131	165 195
Stage 2 (lifetime ECL)	18 734	- 910	17 824	18 558	- 254	18 304
Stage 3 (lifetime ECL)	5 190	- 2 556	2 634	5 381	- 2 444	2 937
Purchased or originated credit impaired assets (POCI)	163	- 26	137	182	- 26	155
Debt Securities	47 522	- 12	47 510	43 010	- 12	42 998
Stage 1 (12-month ECL)	47 484	- 5	47 479	42 934	- 5	42 930
Stage 2 (lifetime ECL)	31	- 1	30	69	- 2	67
Stage 3 (lifetime ECL)	7	- 6	1	7	- 6	1
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	19 040	- 9	19 031	18 793	- 5	18 788
Stage 1 (12-month ECL)	18 903	- 5	18 897	18 771	- 4	18 767
Stage 2 (lifetime ECL)	137	- 3	134	22	- 1	22
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

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

The strong increase in impairments is mainly driven by collective Covid-19 ECL.

The table does not include the stage transfers embedded underlying in the forecasted collective Covid-19 ECL. For more information see note 1.4 in this report.

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

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 4.4 up to and including 4.7 of the annual accounts 2019.

(in millions of EUR)	30-06-2020				31-12-2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	14 375	409	387	15 172	15 536	441	320	16 298
Held for trading	2 715	6 505	1 101	10 321	1 685	4 381	1 200	7 266
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	14 853	3 859	576	19 288	14 945	3 630	463	19 037
Hedging derivatives	0	210	0	210	0	158	0	158
Total	31 943	10 983	2 064	44 990	32 166	8 611	1 982	42 759
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 009	4 146	1 275	6 429	1 708	3 259	2 021	6 988
Designated at fair value	12 504	598	1 437	14 539	13 610	657	1 883	16 149
Hedging derivatives	0	1 424	0	1 424	0	1 171	0	1 171
Total	13 513	6 167	2 712	22 393	15 317	5 087	3 903	24 308

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

During 1H 2020, KBC transferred about 122 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 323 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

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

In 1H 2020 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets held for trading: the fair value of derivatives decreased by 100 million euros, due primarily to instruments that had reached maturity and changes in fair value, partly offset by new transactions.
- Financial assets measured at fair value through OCI: the fair value of debt securities increased by 115 million euros, mainly due to new positions and transfers into level 3.
- Financial assets measured at fair value through profit and loss: the fair value of loans and advances increased by 68 million euros, mostly due to new transactions, partially compensated by translation effects.
- Financial liabilities held for trading: the fair value of derivatives decreased by 717 million euros, mainly due to a combination of sales of existing positions, instruments that had reached maturity and changes in fair value, partially offset by new transactions.
- Financial liabilities designated at fair value: the fair value of debt securities issued decreased by 445 million euros, due to a combination of repurchases of existing positions, settlements and translation effects, partially offset by new issues.

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

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

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

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

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

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

Quantities	30-06-2020	31-12-2019
Ordinary shares	416 394 642	416 394 642
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	416 394 642	416 394 642
<i>of which treasury shares</i>	24 817	38 607
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels).

The treasury shares almost fully relate to positions in shares of KBC Group to hedge outstanding equity derivatives.

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

In 1H 2020 :

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

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

In 2019 :

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

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

Significant non-adjusting events between the balance sheet date (30 June 2020) and the publication of this report (6 August 2020):

- At the end of July, the ECB has extended its recommendation not to pay dividends until January 2021.



**REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV
ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 JUNE 2020 AND FOR THE SIX-MONTH PERIOD THEN ENDED**

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 June 2020 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the six-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 317.388 million and a consolidated profit (attributable to equity holders of the parent) for the six-month period then ended of EUR 205 million.

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

Scope of Review

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

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Conclusion

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

Sint-Stevens-Woluwe, 5 August 2020

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

A blue ink signature of Roland Jeanquart, consisting of a stylized 'R' and 'J'.

Roland Jeanquart
Accredited auditor

A black ink signature of Tom Meuleman, consisting of a stylized 'T' and 'M'.

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 2Q 2020 and 1H 2020



Section not reviewed by the Auditor

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit and standby credit granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Information specifically on sovereign bonds can be found under 'How do we manage our risks (in the annual accounts 2019)'.

Credit risk: loan portfolio overview	30-06-2020	31-12-2019
Total loan portfolio (in billions of EUR) ¹		
Amount outstanding and undrawn	221	218
Amount outstanding	179	175
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)		
Belgium	65.2%	64.1%
Czech Republic	17.3%	18.4%
International Markets	15.5%	15.6%
Group Centre	1.9%	2.0%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)		
Private individuals	40.9%	41.7%
Finance and insurance	8.7%	7.6%
Governments	3.5%	2.9%
Corporates	46.9%	47.7%
Services	10.8%	10.9%
Distribution	6.8%	7.3%
Real estate	6.3%	6.4%
Building & construction	4.1%	3.9%
Agriculture, farming, fishing	2.7%	2.7%
Automotive	2.6%	2.6%
Food producers	1.7%	1.7%
Electricity	1.5%	1.6%
Metals	1.5%	1.4%
Chemicals	1.4%	1.3%
Machinery & heavy equipment	1.0%	1.0%
Shipping	0.8%	0.8%
Hotels, bars & restaurants	0.7%	0.7%
Oil, gas & other fuels	0.6%	0.6%
Electrotechnics	0.5%	0.5%
Textile & apparel	0.5%	0.6%
Traders	0.5%	0.6%
Other ²	3.0%	3.1%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)		
Home countries	85.9%	86.4%
Belgium	53.7%	52.9%
Czech Republic	16.5%	17.6%
Ireland	5.7%	5.9%
Slovakia	4.9%	4.9%
Hungary	3.1%	3.1%
Bulgaria	2.1%	2.0%
Rest of Western Europe	8.9%	8.6%
Rest of Central and Eastern Europe	0.3%	0.4%
North America	1.6%	1.5%
Asia	1.7%	1.5%
Other	1.6%	1.6%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)		
Retail	40.8%	41.7%
of which: mortgages	37.8%	38.5%
of which: consumer finance	3.1%	3.2%
SME	21.4%	21.8%
Corporate	37.8%	36.5%

	30-06-2020	31-12-2019
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)		
Stage 1 (credit risk has not increased significantly since initial recognition)	85.4%	85.2%
of which: PD 1 - 4	63.4%	62.7%
of which: PD 5 - 9 including unrated	22.0%	22.6%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI ³	11.3%	11.3%
of which: PD 1 - 4	3.4%	3.4%
of which: PD 5 - 9 including unrated	7.8%	7.9%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI ³	3.4%	3.5%
of which: PD 10 impaired loans	1.4%	1.6%
of which: more than 90 days past due (PD 11+12)	1.9%	1.9%
Impaired loan portfolio (in millions of EUR)		
Impaired loans (PD10 + 11 + 12)	6 024	6 160
of which: more than 90 days past due	3 463	3 401
Impaired loans ratio (%)		
Belgium	2.4%	2.4%
Czech Republic	2.2%	2.3%
International Markets	7.8%	8.5%
Group Centre	11.8%	12.4%
Total	3.4%	3.5%
of which: more than 90 days past due	1.9%	1.9%
Loan loss impairment (in millions of EUR)		
Loan loss Impairment for Stage 1 portfolio	200	144
Loan loss Impairment for Stage 2 portfolio	921	265
Loan loss Impairment for Stage 3 portfolio	2 696	2 584
of which: more than 90 days past due	2 163	2 050
Cover ratio of impaired loans (%)		
Loan loss impairments for stage 3 portfolio / impaired loans	44.8%	42.0%
of which: more than 90 days past due	62.4%	60.3%
Cover ratio of impaired loans, mortgage loans excluded (%)		
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	52.2%	49.7%
of which: more than 90 days past due	72.1%	71.7%
Credit cost ratio (%)		
Belgium	0.63%	0.22%
Czech Republic	0.62%	0.04%
International Markets	0.82%	-0.07%
Slovakia	0.66%	0.14%
Hungary	0.96%	-0.02%
Bulgaria	0.66%	0.14%
Ireland	0.94%	-0.32%
Group Centre	-0.53%	-0.88%
Total	0.64%	0.12%

¹ Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; the amounts are measured in Gross Carrying Amounts;

² Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors

³ Purchased or originated credit impaired assets

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

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

Loan portfolio per business unit (banking activities)

Legend:

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

Cover ratio impaired loans: stage 3 impairments / impaired loans

Loan portfolio Business Unit Belgium 30-06-2020, in millions of EUR

	Belgium ¹			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	109 250			7 743			116 993		
Counterparty break down	% outst.			% outst.			% outst.		
retail	37 437	34.3%		0	0.0%		37 437	32.0%	
o/w mortgages	35 790	32.8%		0	0.0%		35 790	30.6%	
o/w consumer finance	1 647	1.5%		0	0.0%		1 647	1.4%	
SME	31 437	28.8%		0	0.0%		31 437	26.9%	
corporate	40 376	37.0%		7 743	100.0%		48 120	41.1%	
Mortgage loans	% outst.			% outst.			% outst.		
total	35 789	32.8%	ind. LTV 57%	0	0.0%	-	35 789	30.6%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w ind. LTV > 100%	562	0.5%	-	0	0.0%	-	562	0.5%	
Probability of default (PD)	% outst.			% outst.			% outst.		
low risk (PD 1-4; 0.00%-0.80%)	84 552	77.4%		4 395	56.8%		88 947	76.0%	
medium risk (PD 5-7; 0.80%-6.40%)	19 069	17.5%		2 964	38.3%		22 033	18.8%	
high risk (PD 8-9; 6.40%-100.00%)	2 775	2.5%		128	1.6%		2 903	2.5%	
impaired loans (PD 10 - 12)	2 586	2.4%		164	2.1%		2 750	2.4%	
unrated	268	0.2%		93	1.2%		360	0.3%	
Overall risk indicators	stage 3 imp. % cover			stage 3 imp. % cover			stage 3 imp. % cover		
outstanding impaired loans	2 586	1 128	43.6%	164	122	74.3%	2 750	1 250	45.4%
o/w PD 10 impaired loans	1 261	272	21.6%	74	45	61.0%	1 335	317	23.8%
o/w more than 90 days past due (PD 11+12)	1 325	856	64.6%	90	77	85.2%	1 415	932	65.9%
all impairments (stage 1+2+3)	1 705			154			1 859		
o/w stage 1+2 impairments (incl. POCI)	577			32			609		
o/w stage 3 impairments (incl. POCI)	1 128			122			1 250		
2019 Credit cost ratio (CCR)	0.20%			0.41%			0.22%		
YTD 2020 CCR	0.63%			0.68%			0.63%		

Remarks

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

Loan portfolio Business Unit Czech Republic

30-06-2020, in millions of EUR

Total portfolio outstanding	31 066		
Counterparty break down		% outst.	
retail	17 940	57,7%	
o/w mortgages	15 745	50,7%	
o/w consumer finance	2 195	7,1%	
SME	4 722	15,2%	
corporate	8 405	27,1%	
Mortgage loans		% outst.	ind. LTV
total	15 745	50,7%	60%
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	147	0,5%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	18 031	58,0%	
medium risk (PD 5-7; 0.80%-6.40%)	11 078	35,7%	
high risk (PD 8-9; 6.40%-100.00%)	1 257	4,0%	
impaired loans (PD 10 - 12)	690	2,2%	
unrated	11	0,0%	
Overall risk indicators¹		stage 3 imp.	% cover
outstanding impaired loans	690	326	47,2%
o/w PD 10 impaired loans	329	88	26,7%
o/w more than 90 days past due (PD 11+12)	360	238	66,0%
all impairments (stage 1+2+3)	591		
o/w stage 1+2 impairments (incl. POCI)	266		
o/w stage 3 impairments (incl. POCI)	326		
2019 Credit cost ratio (CCR)	0,04%		
YTD 2020 CCR	0,62%		

¹ CCR at country level in local currency

Loan portfolio Business Unit International Markets
30-06-2020, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	10 093			8 486			5 555			3 691			27 825		
Counterparty break down	% outst.			% outst.			% outst.			% outst.			% outst.		
retail	10 031	99,4%		4 406	51,9%		2 018	36,3%		1 421	38,5%		17 875	64,2%	
o/w mortgages	9 968	98,8%		3 914	46,1%		1 576	28,4%		755	20,5%		16 213	58,3%	
o/w consumer finance	63	0,6%		492	5,8%		442	8,0%		665	18,0%		1 662	6,0%	
SME	43	0,4%		976	11,5%		154	2,8%		1 043	28,3%		2 215	8,0%	
corporate	19	0,2%		3 105	36,6%		3 384	60,9%		1 227	33,3%		7 735	27,8%	
Mortgage loans	% outst.		ind. LTV	% outst.		ind. LTV	% outst.		ind. LTV	% outst.		ind. LTV	% outst.		
total	9 968	98,8%	67%	3 914	46,1%	66%	1 576	28,4%	67%	755	20,5%	65%	16 213	58,3%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	4	0,1%	81%	84	2,3%	67%	88	0,3%	
o/w ind. LTV > 100%	704	7,0%	-	36	0,4%	-	100	1,8%	-	32	0,9%	-	872	3,1%	
Probability of default (PD)	% outst.			% outst.			% outst.			% outst.			% outst.		
low risk (PD 1-4; 0.00%-0.80%)	819	8,1%		5 472	64,5%		2 801	50,4%		985	26,7%		10 077	36,2%	
medium risk (PD 5-7; 0.80%-6.40%)	6 907	68,4%		2 206	26,0%		2 414	43,4%		2 092	56,7%		13 618	48,9%	
high risk (PD 8-9; 6.40%-100.00%)	841	8,3%		603	7,1%		215	3,9%		272	7,4%		1 931	6,9%	
impaired loans (PD 10 - 12)	1 527	15,1%		181	2,1%		124	2,2%		342	9,3%		2 174	7,8%	
unrated	0	0,0%		24	0,3%		1	0,0%		0	0,0%		26	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	1 527	427	28,0%	181	106	58,3%	124	76	61,2%	342	156	45,6%	2 174	764	35,2%
o/w PD 10 impaired loans	714	87	12,2%	40	8	19,8%	25	10	40,3%	62	11	17,2%	841	116	13,8%
o/w more than 90 days past due (PD 11+12)	812	340	41,8%	141	98	69,2%	100	66	66,3%	280	145	51,9%	1 333	649	48,7%
all impairments (stage 1+2+3)	490			190			151			185			1 017		
o/w stage 1+2 impairments (incl. POCI)	63			85			75			29			252		
o/w stage 3 impairments (incl. POCI)	427			106			76			156			764		
2019 Credit cost ratio (CCR)	-0,32%			0,14%			-0,02%			0,14%			-0,07%		
YTD 2020 CCR	0,94%			0,66%			0,96%			0,66%			0,82%		

Remarks

¹ CCR at country level in local currency

Loan portfolio Group Centre¹
30-06-2020, in millions of EUR

Total portfolio outstanding	3 481		
Counterparty break down			% outst.
retail	0		0,0%
o/w mortgages	0		0,0%
o/w consumer finance	0		0,0%
SME	0		0,0%
corporate	3 481		100,0%
Mortgage loans			% outst.
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%)	2 834		81,4%
medium risk (PD 5-7; 0.80%-6.40%)	194		5,6%
high risk (PD 8-9; 6.40%-100.00%)	43		1,2%
impaired loans (PD 10 - 12)	411		11,8%
unrated	0		0,0%
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	411	356	86,7%
o/w PD 10 impaired loans	56	12	22,2%
o/w more than 90 days past due (PD 11+12)	355	344	96,9%
all impairments (stage 1+2+3)	361		
o/w stage 1+2 impairments (incl. POCI)	4		
o/w stage 3 impairments (incl. POCI)	356		
2019 Credit cost ratio (CCR)	-0,88%		
YTD 2020 CCR	-0,53%		

Remarks

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

Solvency⁽¹⁾

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 93% of the weighted credit risks, of which approx. 88% according to Advanced and approx. 5% according to Foundation approach. The remaining weighted credit risks (ca. 7%) are calculated according to the Standardised approach.

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

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

(1) Fully in line with the European Central Bank recommendation that at least till January 2021 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by the credit institutions for the financial year 2019 and 2020 and that credit institutions refrain from share buy-backs.

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

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

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR/CRD IV, Danish compromise method)	30-06-2020		31-12-2019	
	Fully loaded	Actuals	Fully loaded	Actuals
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement	1.75%	1.75%	1.75%	1.75%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Entity-specific countercyclical buffer	0.20%	0.26%	0.30%	0.43%
Overall Capital Requirement (OCR)	10.45%	10.51%	10.55%	10.68%
CET1 used to satisfy shortfall in AT1 bucket	0.01%	0.01%	0.00%	0.00%
CET1 used to satisfy shortfall in T2 bucket	0.23%	0.23%	0.05%	0.05%
CET1 requirement	10.68%	10.74%	10.60%	10.74%
CET1 capital	16 636	16 664	16 989	16 989
CET1 buffer (= buffer to MDA)	5 918	5 880	6 486	6 353

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)		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
30-06-2020				
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	16 636	100 354	16.58%
Deduction Method	Fully loaded	15 837	95 395	16.60%
Financial Conglomerates Directive	Fully loaded	17 178	111 202	15.45%
Danish Compromise	Transitional	16 664	100 376	16.60%
Deduction Method	Transitional	15 865	95 416	16.63%
Financial Conglomerates Directive	Transitional	17 206	111 223	15.47%

KBC's CET1 ratio of 16.58% at end 1H 2020 (fully loaded) represents a solid capital buffer:

- 8.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
- 6.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45% (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
- 5.9% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.68%.

Danish Compromise

In millions of EUR	30-06-2020	30-06-2020	31-12-2019
	Fully loaded	Transitional	Fully loaded
Total regulatory capital (after profit appropriation)	19 918	19 945	20 414
Tier-1 capital	18 136	18 164	18 489
Common equity	16 636	16 664	16 989
Parent shareholders' equity (after deconsolidating KBC Insurance)	17 644	17 644	17 933
Intangible fixed assets (incl deferred tax impact) (-)	- 782	- 782	- 726
Goodwill on consolidation (incl deferred tax impact) (-)	- 730	- 730	- 766
Minority interests	0	0	0
Hedging reserve (cash flow hedges) (-)	1 350	1 350	1 331
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 14	- 14	- 9
Value adjustment due to the requirements for prudent valuation (-)	- 95	- 95	- 54
Dividend payout (-)	0	0	0
Remuneration of AT1 instruments (-)	- 12	- 12	- 11
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 58	- 58	- 45
IRB provision shortfall (-)	- 196	- 196	- 140
Deferred tax assets on losses carried forward (-)	- 414	- 414	- 467
Transitional adjustments to CET1	0	27	
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0
Additional going concern capital	1 500	1 500	1 500
CRR compliant AT1 instruments	1 500	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0
Tier 2 capital	1 781	1 781	1 925
IRB provision excess (+)	0	0	130
Transitional adjustments to T2			
Subordinated liabilities	1 781	1 781	1 795
Subordinated loans non-consolidated financial sector entities (-)	0	0	0
Minority interests to be included in tier 2 capital	0	0	0
Total weighted risk volume	100 354	100 376	99 071
Banking	91 086	91 108	89 838
Insurance	9 133	9 133	9 133
Holding activities	148	148	124
Elimination of intercompany transactions	- 14	- 14	- 25
Solvency ratios			
Common equity ratio	16.58%	16.60%	17.15%
Tier-1 ratio	18.07%	18.10%	18.66%
Total capital ratio	19.85%	19.87%	20.61%

In line with the ECB recommendation we apply the IFRS 9 transitional measures as of 1H 2020. The impact of transitional is limited to 2 basis points at the end of 1H 2020 as there is no profit reservation. But taking also into account the ECL of the current year the positive impact of the transitional would amount to 52bps.

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III) In millions of EUR	30-06-2020	30-06-2020	31-12-2019
	Fully loaded	Transitional	Fully loaded
Tier-1 capital (Danish compromise)	18 136	18 164	18 489
Total exposures	300 573	300 614	273 029
Total Assets	317 388	317 388	290 735
Deconsolidation KBC Insurance	-31 991	-31 991	-33 243
Transitional adjustment	0	41	0
Adjustment for derivatives	-4 704	-4 704	-2 882
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 331	-2 331	-2 254
Adjustment for securities financing transaction exposures	2 534	2 534	638
Off-balance sheet exposures	19 676	19 676	20 035
Leverage ratio	6.03%	6.04%	6.77%

Solvency banking and insurance activities separately

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

KBC Bank consolidated - CRDIV/CRR (in millions of EUR)	30-06-2020	30-06-2020	31-12-2019
	Fully loaded	Transitional	Fully loaded
Total regulatory capital, after profit appropriation	16 200	16 227	16 660
Tier-1 capital	14 393	14 420	14 704
<i>Of which common equity</i>	12 893	12 920	13 204
Tier-2 capital	1 807	1 807	1 957
Total weighted risks	91 086	91 108	89 838
Credit risk	77 030	77 051	75 786
Market risk	2 716	2 716	2 713
Operational risk	11 340	11 340	11 340
Solvency ratios			
Common equity ratio	14.2%	14.2%	14.7%
Tier-1 ratio	15.8%	15.8%	16.4%
CAD ratio	17.8%	17.8%	18.5%

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-06-2020	31-12-2019
Own Funds	3 163	3 496
Tier 1	2 662	2 996
IFRS Parent shareholders equity	3 354	3 422
Dividend payout	- 196	- 156
Deduction intangible assets and goodwill (after tax)	- 132	- 128
Valuation differences (after tax)	- 584	- 196
Volatility adjustment	262	104
Other	- 43	- 49
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 598	1 727
Market risk	1 203	1 389
Non-life	564	579
Life	707	689
Health	266	264
Counterparty	123	114
Diversification	- 973	- 991
Other	- 292	- 316
Solvency II ratio	198%	202%

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'. This approach excludes MREL eligible liabilities that have not been issued by KBC Group NV (insofar as they do not constitute own funds) and requires tier-2 capital down-streamed by KBC Group NV to KBC Insurance to be deducted from MREL (in line with the treatment under CRR/CRD). At year-end 2019, 1 billion euro of instruments were no longer eligible for SRB to satisfy the MREL.

At the end of June 2020, the MREL ratio based on instruments issued by KBC Group NV following the 'hybrid approach' stands at 9.3% of TLOF versus the SRB requirement for KBC to achieve 9.67% as by year-end 2021.

The decrease of the MREL as a % of TLOF versus previous quarter (10.0% at the end of March 2020), can be fully explained by the participation in TLTRO III for an amount of 19.5bn EUR in June 2020. Excluding this, the MREL as % of TLOF would have amounted to 10.0%.

Income statement, volumes and ratios per business unit

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

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

Business unit Belgium (in millions of EUR)	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Breakdown P&L					
Net interest income	635	640	634	637	621
Non-life insurance (before reinsurance)	167	112	160	129	111
Earned premiums	280	283	285	284	275
Technical charges	- 113	- 172	- 125	- 156	- 165
Life insurance (before reinsurance)	- 16	- 21	- 21	- 25	- 24
Earned premiums	208	216	282	217	233
Technical charges	- 224	- 237	- 303	- 242	- 256
Ceded reinsurance result	- 10	- 9	- 10	- 5	4
Dividend income	16	11	15	14	38
Net result from financial instruments at fair value through profit or loss	149	- 217	89	- 9	43
Net realised result from debt instruments at fair value through OCI	1	0	0	4	0
Net fee and commission income	271	308	307	297	293
Net other income	45	35	41	51	50
TOTAL INCOME	1 256	858	1 216	1 092	1 135
Operating expenses	- 521	- 828	- 550	- 552	- 575
Impairment	- 469	- 117	- 109	- 21	- 31
on financial assets at AC and at FVOCI	- 458	- 116	- 107	- 21	- 30
other	- 11	0	- 2	0	- 1
Share in results of associated companies and joint ventures	- 3	- 3	- 2	- 2	- 2
RESULT BEFORE TAX	264	- 90	556	517	526
Income tax expense	- 59	4	- 145	- 149	- 138
RESULT AFTER TAX	204	- 86	412	368	388
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	204	- 86	412	368	388
Banking	68	- 55	301	287	289
Insurance	136	- 30	111	81	99
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	103 689	104 969	100 909	100 945	101 125
of which Mortgage loans (end of period)	36 863	36 489	36 445	35 832	35 674
Customer deposits and debt certificates excl. repos (end of period)	136 928	138 045	130 771	134 355	128 544
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	13 005	13 074	13 130	13 097	13 144
Unit-Linked (end of period)	12 599	12 064	13 426	13 281	13 201
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	52 938	54 098	49 486	49 985	48 959
Required capital, insurance (end of period)	1 358	1 296	1 497	1 572	1 508
Allocated capital (end of period)	6 943	7 003	6 792	6 920	6 747
Return on allocated capital (ROAC)	12%	-5%	24%	22%	23%
Cost/income ratio, banking	44%	95%	48%	53%	54%
Combined ratio, non-life insurance	74%	95%	82%	91%	91%
Net interest margin, banking	1.63%	1.68%	1.68%	1.68%	1.67%

Business unit Czech Republic

(in millions of EUR)

2Q 2020 1Q 2020 4Q 2019 3Q 2019 2Q 2019

Breakdown P&L

Net interest income	235	351	338	329	308
Non-life insurance (before reinsurance)	38	31	30	29	27
Earned premiums	72	75	73	72	70
Technical charges	- 35	- 44	- 43	- 43	- 42
Life insurance (before reinsurance)	12	14	12	13	15
Earned premiums	44	52	58	53	61
Technical charges	- 32	- 39	- 45	- 40	- 46
Ceded reinsurance result	0	0	0	0	- 2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	90	- 125	8	- 56	- 34
Net realised result from debt instruments at fair value through OCI	1	0	0	0	0
Net fee and commission income	51	55	59	70	67
Net other income	3	9	3	2	84
TOTAL INCOME	431	335	451	388	465
Operating expenses	- 164	- 221	- 200	- 187	- 179
Impairment	- 175	- 9	- 3	- 9	- 7
on financial assets at AC and at FVOCI	- 170	- 8	- 1	- 9	- 4
other	- 5	- 1	- 1	0	- 3
Share in results of associated companies and joint ventures	0	0	0	0	4
RESULT BEFORE TAX	91	105	248	192	283
Income tax expense	- 14	- 17	- 43	- 33	- 35
RESULT AFTER TAX	77	88	205	159	248
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	77	88	205	159	248
Banking	61	75	194	147	237
Insurance	16	13	11	12	11
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	28 597	28 286	29 857	29 200	28 711
of which Mortgage loans (end of period)	15 418	14 876	15 768	15 267	15 267
Customer deposits and debt certificates excl. repos (end of period)	39 704	37 627	39 559	38 170	38 536
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	613	588	629	616	621
Unit-Linked (end of period)	659	655	727	700	698
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 338	15 349	15 005	14 916	14 670
Required capital, insurance (end of period)	128	126	121	121	124
Allocated capital (end of period)	1 746	1 745	1 726	1 717	1 694
Return on allocated capital (ROAC)	18%	20%	48%	38%	60%
Cost/income ratio, banking	38%	68%	44%	48%	38%
Combined ratio, non-life insurance	81%	90%	94%	94%	96%
Net interest margin, banking	2.32%	2.98%	2.90%	2.93%	3.18%

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

Business unit International Markets

(in millions of EUR)

	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Breakdown P&L					
Net interest income	219	219	219	216	214
Non-life insurance (before reinsurance)	46	40	35	32	35
Earned premiums	78	82	80	80	78
Technical charges	- 33	- 43	- 45	- 48	- 43
Life insurance (before reinsurance)	10	8	11	7	10
Earned premiums	24	29	24	21	23
Technical charges	- 15	- 21	- 14	- 14	- 14
Ceded reinsurance result	- 3	- 3	- 1	- 2	- 3
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	14	- 5	23	5	10
Net realised result from debt instruments at fair value through OCI	1	0	0	1	0
Net fee and commission income	67	69	78	77	77
Net other income	5	6	4	- 16	- 2
TOTAL INCOME	359	333	370	321	340
Operating expenses	- 196	- 268	- 248	- 212	- 212
Impairment	- 213	- 24	18	- 6	- 7
on financial assets at AC and at FVOCI	- 217	- 6	22	- 5	- 6
other	4	- 18	- 4	- 1	- 1
Share in results of associated companies and joint ventures	0	0	1	1	1
RESULT BEFORE TAX	- 50	42	141	104	122
Income tax expense	5	- 7	- 22	- 19	- 18
RESULT AFTER TAX	- 45	35	119	85	104
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	- 45	35	119	85	104
Banking	- 66	19	107	75	91
Insurance	21	16	12	11	13
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	25 277	25 109	25 050	24 718	24 333
of which Mortgage loans (end of period)	15 650	15 536	15 584	15 357	15 178
Customer deposits and debt certificates excl. repos (end of period)	24 272	23 197	24 041	22 939	22 970
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	254	254	255	258	262
Unit-Linked (end of period)	397	373	432	414	420
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	20 736	21 507	20 892	21 068	21 019
Required capital, insurance (end of period)	127	123	124	123	117
Allocated capital (end of period)	2 315	2 391	2 359	2 377	2 366
Return on allocated capital (ROAC)	-8%	6%	20%	14%	18%
Cost/income ratio, banking	57%	84%	68%	67%	64%
Combined ratio, non-life insurance	75%	82%	89%	93%	88%
Net interest margin, banking	2.58%	2.61%	2.60%	2.61%	2.65%

Slovakia

(in millions of EUR)

2Q 2020 1Q 2020 4Q 2019 3Q 2019 2Q 2019

Breakdown P&L

Net interest income	49	50	51	51	50
Non-life insurance (before reinsurance)	8	7	7	7	7
Earned premiums	13	12	12	12	12
Technical charges	- 4	- 5	- 5	- 5	- 4
Life insurance (before reinsurance)	3	3	4	2	3
Earned premiums	8	9	12	10	10
Technical charges	- 5	- 7	- 7	- 7	- 7
Ceded reinsurance result	- 1	0	- 1	0	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	7	- 8	10	- 5	- 2
Net realised result from debt instruments at fair value through OCI	1	0	0	0	0
Net fee and commission income	14	15	16	16	16
Net other income	2	3	4	2	1
TOTAL INCOME	84	70	93	74	75
Operating expenses	- 51	- 59	- 53	- 52	- 51
Impairment	- 41	- 6	6	- 6	- 8
on financial assets at AC and at FVOCI	- 41	- 6	5	- 6	- 8
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 8	4	46	16	15
Income tax expense	2	- 1	- 8	- 4	- 4
RESULT AFTER TAX	- 6	4	38	12	11
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	- 6	4	38	12	11
Banking	- 9	1	36	10	8
Insurance	3	3	2	2	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	7 683	7 607	7 506	7 471	7 316
of which Mortgage loans (end of period)	3 846	3 714	3 641	3 593	3 482
Customer deposits and debt certificates excl. repos (end of period)	6 531	6 287	6 480	6 438	6 236
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	114	114	114	114	115
Unit-Linked (end of period)	92	89	100	97	104
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 104	5 123	4 985	5 030	4 960
Required capital, insurance (end of period)	27	26	27	28	26
Allocated capital (end of period)	565	567	560	566	557
Return on allocated capital (ROAC)	-5%	3%	27%	8%	8%
Cost/income ratio, banking	62%	88%	56%	71%	71%
Combined ratio, non-life insurance	79%	82%	94%	84%	81%

Hungary (in millions of EUR)	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Breakdown P&L					
Net interest income	64	62	64	64	64
Non-life insurance (before reinsurance)	17	14	14	10	12
Earned premiums	35	39	37	36	35
Technical charges	- 17	- 25	- 22	- 26	- 24
Life insurance (before reinsurance)	2	1	2	2	2
Earned premiums	8	9	4	4	4
Technical charges	- 6	- 8	- 2	- 2	- 2
Ceded reinsurance result	- 1	- 1	0	- 1	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	10	2	9	6	8
Net realised result from debt instruments at fair value through OCI	0	0	0	1	0
Net fee and commission income	46	49	56	55	55
Net other income	0	2	0	0	0
TOTAL INCOME	140	130	146	137	142
Operating expenses	- 69	- 101	- 87	- 83	- 81
Impairment	- 50	- 16	- 3	- 1	3
on financial assets at AC and at FVOCI	- 55	2	- 2	- 1	3
other	6	- 18	- 1	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	21	13	57	53	64
Income tax expense	- 5	- 4	- 7	- 8	- 9
RESULT AFTER TAX	16	10	50	45	55
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	16	10	50	45	55
Banking	7	2	44	41	50
Insurance	9	8	6	4	4
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	4 617	4 534	4 623	4 522	4 527
of which Mortgage loans (end of period)	1 512	1 467	1 596	1 558	1 602
Customer deposits and debt certificates excl. repos (end of period)	8 011	7 435	7 953	7 140	7 388
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	49	48	52	52	55
Unit-Linked (end of period)	258	243	291	280	285
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 865	6 555	6 415	6 480	6 320
Required capital, insurance (end of period)	47	44	48	47	43
Allocated capital (end of period)	772	735	735	740	719
Return on allocated capital (ROAC)	8%	5%	27%	24%	29%
Cost/income ratio, banking	52%	82%	61%	62%	58%
Combined ratio, non-life insurance	76%	84%	87%	96%	90%

Bulgaria (in millions of EUR)	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Breakdown P&L					
Net interest income	36	36	36	36	35
Non-life insurance (before reinsurance)	20	18	13	15	16
Earned premiums	31	31	31	32	31
Technical charges	- 11	- 13	- 18	- 17	- 15
Life insurance (before reinsurance)	5	4	4	3	4
Earned premiums	9	11	9	8	9
Technical charges	- 4	- 7	- 4	- 5	- 5
Ceded reinsurance result	- 1	- 2	0	- 2	- 2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	3	4	4
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	6	6	5	6	6
Net other income	1	0	1	1	0
TOTAL INCOME	67	62	63	63	63
Operating expenses	- 27	- 48	- 33	- 30	- 29
Impairment	- 25	- 3	0	- 6	- 1
on financial assets at AC and at FVOCI	- 23	- 3	4	- 6	- 1
other	- 1	0	- 3	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	16	11	31	26	33
Income tax expense	- 2	- 1	- 3	- 3	- 3
RESULT AFTER TAX	14	10	27	23	29
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	14	10	27	23	29
Banking	4	4	24	20	24
Insurance	9	6	3	3	5
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3 307	3 213	3 161	3 064	2 927
of which Mortgage loans (end of period)	723	703	693	675	659
Customer deposits and debt certificates excl. repos (end of period)	4 634	4 497	4 439	4 216	4 291
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	91	92	89	91	92
Unit-Linked (end of period)	47	41	41	37	31
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 073	3 770	3 413	3 338	3 554
Required capital, insurance (end of period)	53	53	49	48	48
Allocated capital (end of period)	377	450	414	405	428
Return on allocated capital (ROAC)	13%	9%	27%	24%	30%
Cost/income ratio, banking	44%	86%	51%	47%	46%
Combined ratio, non-life insurance	70%	82%	89%	91%	89%

Ireland					
(in millions of EUR)	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Breakdown P&L					
Net interest income	69	71	67	66	65
Non-life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 3	2	0	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	0	- 1	0	0	- 1
Net other income	0	0	- 1	- 18	- 4
TOTAL INCOME	65	71	67	48	61
Operating expenses	- 48	- 60	- 75	- 47	- 51
Impairment	- 97	2	14	7	0
on financial assets at AC and at FVOCI	- 97	1	14	7	0
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 80	13	6	8	10
Income tax expense	10	- 2	- 3	- 3	- 1
RESULT AFTER TAX	- 70	12	2	4	9
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	- 70	12	2	4	9
Banking	- 68	12	2	4	9
Insurance	- 1	0	0	0	0
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	9 670	9 754	9 760	9 661	9 562
of which Mortgage loans (end of period)	9 569	9 651	9 654	9 531	9 435
Customer deposits and debt certificates excl. repos (end of period)	5 095	4 978	5 169	5 145	5 056
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 692	6 057	6 077	6 216	6 182
Allocated capital (end of period)	600	639	650	665	661
Return on allocated capital (ROAC)	-44%	7%	1%	3%	5%
Cost/income ratio, banking	72%	83%	113%	98%	84%

Group Centre - Breakdown net result (in millions of EUR)	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Operational costs of the Group activities	- 18	- 15	- 34	- 14	- 14
Capital and treasury management	- 6	- 11	- 8	- 9	- 7
Holding of participations	- 1	- 3	- 2	1	21
Results companies in rundown	- 1	3	2	12	5
Other	0	- 18	9	9	- 1
Total net result for the Group centre	- 26	- 43	- 33	0	4

Business unit Group Centre (in millions of EUR)	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
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Breakdown P&L

Net interest income	- 6	- 16	- 9	- 8	- 11
Non-life insurance (before reinsurance)	5	2	4	2	2
Earned premiums	4	2	2	3	3
Technical charges	1	0	1	- 2	- 1
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Ceded reinsurance result	- 1	5	0	- 1	2
Dividend income	1	1	1	0	1
Net result from financial instruments at fair value through profit or loss	1	- 39	10	14	- 21
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 1	- 2	0	0	- 1
Net other income	0	0	- 2	5	2
TOTAL INCOME	- 2	- 48	4	12	- 27
Operating expenses	- 24	- 21	- 48	- 23	- 21
Impairment	0	9	11	10	5
on financial assets at AC and at FVOCI	0	9	11	10	5
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 26	- 60	- 32	- 1	- 43
Income tax expense	0	18	- 1	1	47
RESULT AFTER TAX	- 26	- 43	- 33	0	4
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	- 26	- 43	- 33	0	4
Banking	- 21	- 49	- 17	5	0
Holding	- 5	3	- 26	- 1	3
Insurance	0	4	10	- 4	1

Breakdown Loans and deposits

Total customer loans excluding reverse repos (end of period)	0	0	1	0	0
of which Mortgage loans (end of period)	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	9 908	9 426	8 999	9 806	9 089

Performance Indicators

Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 209	2 339	4 554	2 266	2 607
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	- 15	- 22	- 15	2	5
Allocated capital (end of period)	218	224	473	245	284

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	1H 2020	2019	1H 2019
Result after tax, attributable to equity holders of the parent (A)	Consolidated income statement'	205	2 489	1 175
-				
Coupon on the additional tier-1 instruments included in equity (B)	Consolidated statement of changes in equity'	- 25	- 56	- 32
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	416	416	416
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		416	416	416
Basic = (A-B) / (C) (in EUR)		0.43	5.85	2.75
Diluted = (A-B) / (D) (in EUR)		0.43	5.85	2.74

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	1H 2020	2019	1H 2019
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	467	1 006	519
/				
Earned insurance premiums (B)	Note 3.7.1	862	1 693	828
+				
Operating expenses (C)	Note 3.7.1	274	526	269
/				
Written insurance premiums (D)	Note 3.7.1	962	1 728	931
= (A/B)+(C/D)		82.6%	89.9%	91.6%

Common equity ratio

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

A detailed calculation can be found under 'Solvency at group level' section.

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2020	2019	1H 2019
Cost/income ratio				
Operating expenses of the banking activities (A)	Consolidated income statement': component of 'Operating expenses'	2 002	3 800	2 036
/				
Total income of the banking activities (B)	Consolidated income statement': component of 'Total income'	3 035	6 563	3 255
= (A) / (B)		66.0%	57.9%	62.6%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. This calculation aims to give a better idea of the relative cost efficiency of the pure business activities. The adjustments include: MTM ALM derivatives (fully excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 59% in 1H 2020 (versus 58% in FY 2019 and 59% in 1H 2019).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2020	2019	1H 2019
Specific impairment on loans (A)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 696	2 584	2 714
/				
Outstanding impaired loans (B)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 024	6 160	6 437
= (A) / (B)		44.8%	42.0%	42.2%

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	1H 2020	2019	1H 2019
Net changes in impairment for credit risks (A)	Consolidated income statement': component of 'Impairment'	961	204	102
/				
Average outstanding loan portfolio (B)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	177 398	170 128	168 800
= (A) (annualised) / (B)		0.64%	0.12%	0.12%

The credit cost ratio as of 1H2020 includes a collective Covid-19 expected credit loss (ECL) of 789 million euros, of which: (i) a management overlay of 43 million euros booked in 1Q2020; (ii) a management overlay of 596 million euros booked in 2Q20 and (iii) an impact of 150 million euros captured by our ECL models in 2Q20.

In the calculation of the credit cost ratio, the impact of the Covid-19 ECL is excluded from annualisation. Without the Covid-19 ECL impact, the credit cost ratio amounts to 0.20%.

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	1H 2020	2019	1H 2019
Amount outstanding of impaired loans (A)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 024	6 160	6 437
/				
Total outstanding loan portfolio (B)	Credit risk: loan portfolio overview in the 'Credit risk' section	179 366	175 431	172 776
= (A) / (B)		3.4%	3.5%	3.7%

Leverage ratio

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

A detailed calculation can be found under 'Solvency at group level' section.

Liquidity coverage ratio (LCR)

Gives an idea of the bank's liquidity position in the short term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-month period. It is the average of 12 end-of-month LCR figures.

Calculation (in millions of EUR or %)	Reference	1H 2020	2019	1H 2019
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	74 512	74 884	78 050
/				
Total net cash outflows over the next 30 calendar days (B)		54 705	54 415	55 800
= (A) / (B)		136%	138%	140%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1H 2020	2019	1H 2019
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	157 563	155 816	154 169
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	3 439	1 559	1 675
+				
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 235	5 894	5 563
+				
Other exposures to credit institutions (D)		4 808	4 629	4 670
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	8 170	8 160	8 066
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	3 680	2 866	3 047
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 290	- 2 288	- 2 314
+				
Non-loan-related receivables (H)		- 939	- 738	- 743
+				
Other (I)	Component of Note 4.1	- 1 299	- 468	- 1 356
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		179 366	175 431	172 776

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	1H 2020	2019	1H 2019
Net interest income of the banking activities (A)	Consolidated income statement: component of 'Net interest income'	1 917	3 853	1 889
/				
Average interest-bearing assets of the banking activities (B)	Consolidated balance sheet: component of 'Total assets'	201 557	194 731	191 578
= (A) (annualised x360/number of calendar days) / (B)		1.89%	1.95%	1.96%

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	1H 2020	2019	1H 2019
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	203 437	174 977	174 250
/				
Required amount of stable funding (B)		143 056	128 845	130 850
= (A) / (B)		142.2%	135.8%	133.2%

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	1H 2020	2019	1H 2019
Parent shareholders' equity (A)	'Consolidated balance sheet'	18 710	18 865	17 799
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416	416	416
= (A) / (B) (in EUR)		44.94	45.31	42.77

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	1H 2020	2019	1H 2019
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	119	1 344	564
/				
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)		6 853	6 764	6 703
= (A) annualised / (B)		3.5%	19.9%	16.8%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	165	789	425
/				
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)		1 714	1 692	1 671
= (A) annualised / (B)		19.2%	46.7%	51.0%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	- 11	379	175
/				
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)		2 328	2 354	2 344
= (A) annualised / (B)		-0.9%	16.1%	14.9%

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	1H 2020	2019	1H 2019
Result after tax, attributable to equity holders of the parent (A)	Consolidated income statement'	205	2 489	1 175
-				
Coupon on the additional tier-1 instruments included in equity (B)	Consolidated statement of changes in equity'	- 25	- 56	- 32
/				
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI instruments and for FVPL equity instruments – overlay approach (C)	Consolidated statement of changes in equity'	17 454	16 978	16 459
= (A-B) (annualised) / (C)		2.1%	14.3%	13.9%

The return on equity amounts to 4% in 1H 2020 when including evenly spreading of the bank taxes throughout the year.

Sales Life (insurance)

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

Calculation (in millions of EUR or %)	Reference	1H 2020	2019	1H 2019
Life Insurance - earned premiums (before reinsurance) (A)	Consolidated income statement'	574	1 323	668
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	1	1
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	413	525	307
Total sales Life (A)+ (B) + (C)		988	1 849	975

Solvency ratio (insurance)

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

A detailed calculation can be found under 'Solvency of KBC Bank and KBC Insurance' section.

Total assets under management

Total assets under management (AuM) comprise third-party assets and KBC group assets managed by the group's various asset management companies (KBC Asset Management, ČSOB Asset Management, etc.), as well as assets under advisory management at KBC Bank. The assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence account for a large part of any change in this income line. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure, in view of the related work and any fee income linked to them.

Calculation (in billions of EUR or quantity)	Reference	1H 2020	2019	1H 2019
Belgium Business Unit (A)	Company presentation on www.kbc.com	185	200	195
+				
Czech Republic Business Unit (B)		11	11	11
+				
International Markets Business Unit (C)		5	5	5
A)+(B)+(C)		202	216	210