Press Release

Outside trading hours - Regulated information*

Brussels, 13 February 2020 (07.00 a.m. CET)

Fourth-quarter result of 702 million euros

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

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

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

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

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

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

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

Johan Thijs

Chief Executive Officer

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Financial highlights in the fourth quarter of 2019

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

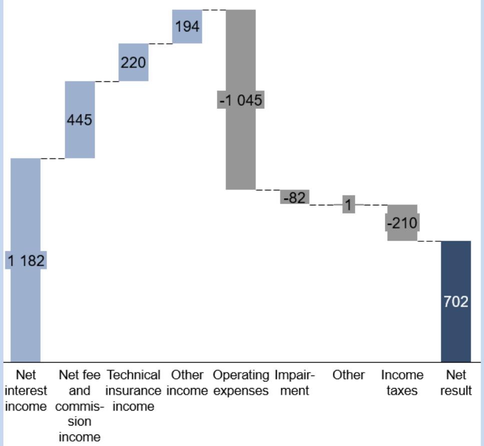
The cornerstones of our strategy

Our strategy rests on four principles:

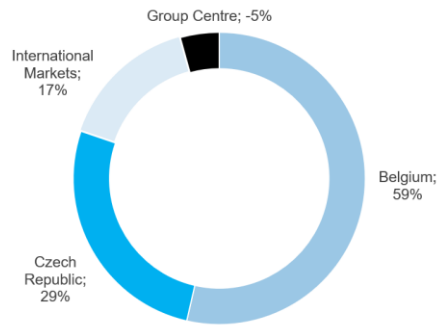
- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

Breakdown of the 4Q2019 result

(in millions of EUR)



Contribution of the business units to the 4Q2019 group result



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Press Release

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Overview of results and balance sheet

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

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

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

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

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

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Analysis of the quarter (4Q2019)

Total income 2 041 million euros	Total income increased by 13% quarter-on-quarter. Overall, trading and fair value income, technical insurance income, net interest income and net other income rose, while net fee and commission income only slightly increased compared to the previous quarter.

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

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

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

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

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

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

Operating expenses

1 045 million euros

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

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

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

Loan loss impairment

75 million euros

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

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

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

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

Net result by business unit

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

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

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

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

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

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

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

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

Equity, solvency and liquidity

Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
20.4 billion euros	16.1%	138%	136%

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

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

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

Press Release

Outside trading hours - Regulated information*

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

Net result 2 489 million euros	The net result for 2019 was down (3%) on its year-earlier level. Total income was up 2% year-on-year, owing mainly to the increase in net interest income and net other income (due to the one-off gain related to the acquisition of the remaining stake in ČMSS in the second quarter). Costs increased by 1.6% year-on-year, largely on the back of higher bank taxes, increased direct supervisory expenses and the ČMSS year-on-year impact. Loan loss impairment *charges* amounted to 203 million euros, significantly higher than the net impairment *release* of 62 million euros in the year-earlier period.

Highlights (compared to 2018):

- Higher net interest income (up 2% to 4 618 million euros), due to lower funding costs, the additional positive impact of repo rate hikes in the Czech Republic, continued good loan volume growth, higher margins on new mortgage loan production in most core countries and the full consolidation of ČMSS, which were partly offset by lower reinvestment yields in our euro-area core countries, pressure on loan margins on the total outstanding portfolio in most core countries and the lower net positive impact of FX swaps used for asset/liability management. The volume of deposits and debt certificates was up 2%, and lending volumes increased by 3%, with growth in all business units. These volume figures have been calculated on a comparable scope basis. The net interest margin in 2019 came to 1.95%, down 5 basis points year-on-year.
- An increase in the contribution to profit made by the technical insurance result (up 4% to 726 million euros). At 1 849 million euros, life insurance sales rose (2%), with higher sales mainly for unit-linked products. Non-life sales were up 8% year-on-year. The non-life insurance technical result was slightly higher (2%) than the figure for the year-earlier period, with the higher premium income and ceded reinsurance result being partly offset by increased technical charges. The non-life combined ratio for the full year was 90%, compared to 88% for the year earlier.
- Slightly higher net fee and commission income (up 1% to 1 734 million euros), attributable primarily to higher banking services-related fees (due in part to the ČMSS year-on-year impact) which was partly offset by a decrease in fees for asset management services and higher distribution costs. At the end of December 2019, total assets under management amounted to 216 billion euros, up 8% on the level recorded a year earlier (since the positive price improvement more than offset net outflows).
- A more or less stable level of all other income items combined (up 1% to 551 million euros), with the significant drop in trading and fair value income (caused primarily by lower dealing room income and a negative change in derivatives used for asset/liability management, but partly offset by the aggregate positive impact of various market value adjustments and a higher net result from equity instruments at the insurer) being more than offset by a higher level of net other income (including the ČMSS-related one-off gain of 82 million euros in May 2019).
- Strict cost control, with operating expenses excluding bank taxes increasing by 1% year-on-year. Excluding the impact of the full consolidation of ČMSS, operating expenses excluding bank taxes roughly stabilised year-on-year. Total bank taxes (including ESFR contribution) increased by 6% year-on-year to 491 million euros in full-year 2019. Direct supervisory expenses rose by 10% year-on-year to 36 million euros in full-year 2019. Including higher bank taxes and the ČMSS year-on-year impact, operating expenses in full-year 2019 rose by 1.6%, in line with our guidance. As a result, the year-to-date cost/income ratio came to 58% (compared to 58% for 2018). When excluding bank taxes, the cost/income ratio came to 51% for full-year 2019.
- A significant net increase in loan loss impairments (net addition of 203 million euros in 2019, compared to a net release of 62 million euros in the year-earlier period), as the 2018 level was unsustainably low. This was due largely to Belgium (net addition of 241 million euros in the period under review, compared to 91 million euros in the reference period, due to several corporate files) and Ireland (33-million-euro net release of impairments in the period under review, compared to a 112-million-euro net release in the reference period). As a result, the credit cost ratio for the whole group was 0.12%, compared to -0.04% for 2018 (a negative figure indicates a positive impact on the results).
- The 2 489-million-euro net result for 2019 breaks down as follows: 1 344 million euros for the Belgium Business Unit (-7% compared to 2018), 789 million euros for the Czech Republic Business Unit (+21%, owing partly to the one-off gain of 82 million euros related to ČMSS in May 2019), 379 million euros for the International Markets Business Unit (-29%) and -23 million euros for the Group Centre (compared to a negative 67 million euros in 2018). The result for the International Markets Business Unit for 2019 includes 29 million euros for Ireland (down 126 million euros on the reference period, due to significantly lower loan loss impairment releases, as well as lower net interest income and net other income), 173 million euros for Hungary, 79 million euros for Slovakia and 93 million euros for Bulgaria.

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Risk statement, economic views and guidance

Risk statement

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

At present, a number of items are considered to constitute the main challenges for the financial sector. These relate to recent macroeconomic and political developments, such as Brexit and trade conflicts, all of which affect global and European economies, including KBC's home markets. Economic growth and interest rate forecasts have been lowered, making it increasingly likely that the low interest rate environment will persist for longer than originally anticipated. Regulatory and compliance risks (including anti-money laundering regulations and GDPR) remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate-related risks are becoming increasingly prevalent. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

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

Our view on interest rates and foreign exchange rates

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

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

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

Our view on economic growth

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

Dividend and share buy-back for 2019

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

Statement of the auditor

The statutory auditor, PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises srl, represented by Roland Jeanquart and Tom Meuleman, has confirmed that its audit work, which is substantially complete, has not to date revealed any significant matters requiring adjustments to the 2019 consolidated income statement, the condensed consolidated statement of comprehensive income for the year, the consolidated balance sheet and the consolidated statement of changes in equity and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes included in this press release.

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

Upcoming events	Annual report: 3 April 2020 Annual General Meeting: 7 May 2020 Final dividend: ex-date: 12 May 2020; record date: 13 May 2020; payment date: 14 May 2020 1Q2020 results: 14 May 2020 Investor Day: 17 June 2020 2Q2020 results: 6 August 2020 3Q2020 results: 12 November 2020
More information on 4Q2019	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
Definitions of ratios	'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

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