

Brussels, 14 November 2019, (07.00 a.m. CET)

## KBC Group: Third-quarter result of 612 million euros

KBC Group - overview (consolidated, IFRS)	3Q2019	2Q2019	3Q2018	9M2019	9M2018
Net result (in millions of EUR)	612	745	701	1 787	1 948
Basic earnings per share (in EUR)	1.44	1.76	1.63	4.19	4.54
Breakdown of the net result by business unit (in millions of EUR)					
<i>Belgium</i>	368	388	409	932	1 089
<i>Czech Republic</i>	159	248	168	584	484
<i>International Markets</i>	85	104	141	260	440
<i>Group Centre</i>	0	4	-17	10	-64
Parent shareholders' equity per share (in EUR, end of period)	43.5	42.8	40.6	43.5	40.6

We generated a net profit of 612 million euros in the third quarter of 2019. Compared to the previous quarter, the quarter under review was characterised by higher net interest income and net fee and commission income, a virtually stable level of technical income from our insurance activities and a decrease in both costs and loan loss impairments. On the other hand, trading and fair value income was very weak due mainly to poor dealing room income, dividend income was seasonally lower and there was a significant drop in net other income. The latter development came about because the previous quarter had benefited from an 82-million-euro gain related to the acquisition of the remaining 45% stake in the Czech building savings bank, ČMSS.

Adding the third-quarter result to the 1 175 million euros recorded in the first half of the year brings our result for the first nine months of 2019 to a solid 1 787 million euros.

On a comparable scope basis, our loans to customers increased by 4% year-on-year and deposits (including debt certificates) were up by 4%, as well. Sales of our non-life and life insurance products also went up year-on-year, by 9% and 5%, respectively.

Our solvency position, which does not include the profit for the first nine months of the year, remained strong too, with a common equity ratio of 15.4%. If we had included the profit for the first nine months of the year, taking into account the 59% dividend payout ratio of last year, our common equity ratio would have amounted to 15.9%. As already announced and in line with our dividend policy, we will pay an interim dividend of 1 euro per share on 15 November 2019 as an advance payment on the total dividend for 2019.

In the previous quarter, we had started a group-wide exercise to optimise our management governance model and, in early September, revealed the optimisation and efficiency measures for the other layers of our organisation. The goal of the exercise is to become a more agile company with a faster decision-making process, so that customer solutions can be delivered faster. As always, we plan to be respectful in how we implement the related changes for our employees. In Belgium, for instance, the related reduction in FTEs will be absorbed through natural outflow. In the Czech Republic, normal staff turnover and measures to promote the internal redeployment of staff will ensure that compulsory redundancies will also be kept to a minimum.

In September, we signed the Collective Commitment to Climate Action, an initiative of the United Nations Environmental Program Finance Initiative. By endorsing this initiative, we have committed ourselves – in cooperation with our customers – to stimulate the greening of the economy as much as possible and so limit global warming to well below 2°C, striving for 1.5°C, in line with the Paris climate agreement. In this way, we are building on previous policies and initiatives (such as phasing out the financing of coal-related activities) to help us fulfil our social role in a sustainable manner.

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



Johan Thijs  
Chief Executive Officer

## Financial highlights in the third quarter of 2019

- ▶ Commercial bank-insurance franchises in our core markets performed well.
- ▶ Lending volumes were up 1% quarter-on-quarter and 4% year-on-year, with year-on-year growth recorded in all business units. Deposits including debt certificates were up 3% quarter-on-quarter and 4% year-on-year. The figures have been calculated on a 'comparable scope' basis.
- ▶ Net interest income increased by 4% compared to the previous quarter and was up 3% year-on-year. In general, net interest income continued to benefit from loan volume growth, the full consolidation of ČMSS since June 2019, the increase in short-term interest rates in the Czech Republic and lower funding costs (year-on-year). These items managed to offset the negative impact of a number of factors, including the continued pressure on loan portfolio margins and low reinvestment yields in our euro-area core countries.
- ▶ Sales of our non-life insurance products were up 9% year-on-year. Technical income from these non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was down 4% on the result for the year-earlier quarter, with higher technical charges and a lower ceded reinsurance result more than offsetting the growth in earned premiums. The combined ratio for the first nine months of the year amounted to 92%, compared to 88% for full-year 2018. Sales of our life insurance products were up 5% year-on-year, but down 12% on the level recorded in the previous quarter.
- ▶ Net fee and commission income was up 2% and 5% on the figure recorded in the previous quarter and year-earlier quarter, respectively. Items contributing to this growth were the full consolidation of ČMSS (since June 2019), increased banking-services-related fees and (quarter-on-quarter) somewhat higher asset-management related fees.
- ▶ The quarter under review included very weak trading and fair value income, due to poor dealing room income and the aggregate negative impact of various market value adjustments. Moreover, both dividend income (seasonal effect) and net other income were down on their level for the previous quarter (which had benefited from the positive 82-million-euro one-off effect of the revaluation of the 55% participation in ČMSS).
- ▶ Costs were down 1%, both quarter-on-quarter and year-on-year. When non-operating items are excluded and bank taxes evenly spread throughout the year, the cost/income ratio amounted to 59% in the first nine months of 2019, compared to 57% for full-year 2018.
- ▶ The quarter under review included a 25-million-euro loan loss impairment charge, compared to a 36-million-euro charge in the previous quarter and a net release of impairments of 8 million euros in the year-earlier quarter. The cost of credit amounted to a benign 0.10% in the first nine months of 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 15.4%, or 15.9% when including the net result for the nine months of the year, taking into account the payout ratio of 59% (dividend + AT1 coupon) for full-year 2018. Our leverage ratio amounted to 6.0% at the end of September 2019.

### The cornerstones of our strategy

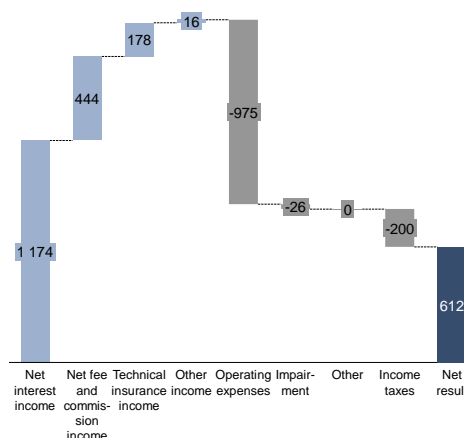


Our strategy rests on four principles:

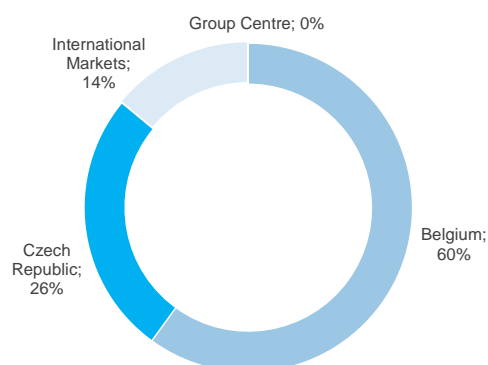
- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.

### Breakdown of the 3Q2019 result

(in millions of EUR)



### Contribution of the business units to the 3Q2019 group result



## Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2019	2Q2019	1Q2019	4Q2018	3Q2018	9M2019	9M2018
Net interest income	1 174	1 132	1 129	1 166	1 136	3 436	3 378
Non-life insurance (before reinsurance)	192	174	161	198	197	527	562
<i>Earned premiums</i>	440	425	415	409	403	1 280	1 173
<i>Technical charges</i>	-248	-251	-254	-211	-205	-753	-611
Life insurance (before reinsurance)	-5	1	-3	-3	-9	-7	-15
<i>Earned premiums</i>	291	317	351	416	293	959	944
<i>Technical charges</i>	-297	-316	-354	-418	-302	-966	-959
Ceded reinsurance result	-9	1	-7	-12	-6	-14	-29
Dividend income	14	39	12	15	12	65	67
Net result from financial instruments at fair value through P&L <sup>1</sup>	-46	-2	99	2	79	51	229
Net realised result from debt instruments at fair value through other comprehensive income	5	0	2	0	0	7	9
Net fee and commission income	444	435	410	407	424	1 289	1 312
Net other income	43	133	59	76	56	234	150
<b>Total income</b>	<b>1 813</b>	<b>1 913</b>	<b>1 862</b>	<b>1 848</b>	<b>1 888</b>	<b>5 588</b>	<b>5 663</b>
Operating expenses	-975	-988	-1 296	-996	-981	-3 258	-3 239
Impairment	-26	-40	-69	-43	2	-134	60
<i>Of which: on financial assets at amortised cost and at fair value through other comprehensive income<sup>2</sup></i>	-25	-36	-67	-30	8	-128	92
Share in results of associated companies & joint ventures	0	4	5	4	2	8	12
Result before tax	812	889	503	814	911	2 204	2 496
Income tax expense	-200	-144	-73	-192	-211	-417	-548
Result after tax	612	745	430	621	701	1 787	1 949
attributable to minority interests	0	0	0	0	0	0	0
<b>attributable to equity holders of the parent</b>	<b>612</b>	<b>745</b>	<b>430</b>	<b>621</b>	<b>701</b>	<b>1 787</b>	<b>1 948</b>
Basic earnings per share (EUR)	1.44	1.76	0.98	1.44	1.63	4.19	4.54
Diluted earnings per share (EUR)	1.44	1.76	0.98	1.44	1.63	4.19	4.54
<b>Key consolidated balance sheet figures KBC Group (in millions of EUR)</b>	<b>30-09-2019</b>	<b>30-06-2019</b>	<b>31-03-2019</b>	<b>31-12-2018</b>	<b>30-09-2018</b>		
Total assets	294 830	289 548	292 332	283 808	304 740		
Loans and advances to customers, excl. reverse repos	154 863	154 169	148 517	147 052	146 011		
Securities (equity and debt instruments)	65 122	63 746	63 706	62 708	63 030		
Deposits from customers & debt certificates, excl. repos	205 270	199 138	197 987	194 291	194 056		
Technical provisions, before reinsurance	18 549	18 652	18 589	18 324	18 533		
Liabilities under investment contracts, insurance	13 456	13 381	13 334	12 949	13 444		
Parent shareholders' equity	18 086	17 799	17 924	17 233	16 878		
<b>Selected ratios KBC group (consolidated)</b>	<b>9M2019</b>	<b>FY2018</b>					
Return on equity	15% <sup>3</sup>	16%					
Cost/income ratio, banking (when excluding certain non-operating items and evenly spreading the bank tax)	60% (59%)	57.5% (57%)					
Combined ratio, non-life insurance	92%	88%					
Common equity ratio, Basel III Danish Compromise (fully loaded)	15.4% <sup>4</sup>	16.0%					
Common equity ratio, FICOD (fully loaded)	14.2%	14.9%					
Leverage ratio, Basel III (fully loaded)	6.0%	6.1%					
Credit cost ratio <sup>5</sup>	0.10%	-0.04%					
Impaired loans ratio	3.5%	4.3%					
for loans more than 90 days past due	2.0%	2.5%					
Net stable funding ratio (NSFR)	135%	136%					
Liquidity coverage ratio (LCR)	140%	139%					

<sup>1</sup> Also referred to as 'Trading and fair value income'.

<sup>2</sup> Also referred to as 'Loan loss impairment'.

<sup>3</sup> When evenly spreading the bank tax throughout the year (14% without evenly spreading the bank tax).

<sup>4</sup> When including the net result of the first nine months of the year, taking into account the full-year 2018 payout ratio of 59% (div. + AT1 coupon), the ratio is 15.9%.

<sup>5</sup> A negative figure indicates a net impairment release (with a positive impact on the results).

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

## Analysis of the quarter (3Q2019)

### Total income

1 813 million euros

Total income decreased by 5% quarter-on-quarter, but that was largely related to the fact that the previous quarter had included a significant, positive one-off item in net other income (related to the acquisition of the remaining stake in ČMSS). That aside, total income was down just 1% quarter-on-quarter, as the drop in trading and fair value income and the seasonal decrease in dividend income were almost fully offset by an increase in net interest income and net fee and commission income, while insurance technical income remained more or less in line with the previous quarter.

Net interest income amounted to 1 174 million euros in the quarter under review, up 4% on the figure recorded in the previous quarter and 3% year-on-year. Net interest income benefited from the positive effect of loan volume growth, the full consolidation of ČMSS since June 2019 (resulting in one month of full consolidation in the second quarter of 2019 and three months in the third quarter of 2019; further referred to as the 'ČMSS impact'), the effect of past increases in short-term interest rates in the Czech Republic, lower customer funding costs (year-on-year) and the higher number of days in the quarter under review (compared to the previous quarter). These items were partially offset by the continued pressure on loan portfolio margins (notwithstanding some recovery in the margin of new business) and the negative effect of lower reinvestment yields in our core countries in the euro area, among other factors.

The total volume of customer lending rose slightly (0.5%) quarter-on-quarter and by as much as 6% year-on-year. On a comparable scope basis (eliminating the effects from 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), customer lending rose by 1% quarter-on-quarter and 4% year-on-year, with the latter growing in all business units. Customer deposits including debt certificates were up 3% quarter-on-quarter and 6% year-on-year. On a comparable scope basis, this item was up 3% quarter-on-quarter and 4% year-on-year. The net interest margin came to 1.94% for the quarter under review, in line with the previous quarter but down 4 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 184 million euros to total income. It was up 5% on the previous quarter due to a combination of higher earned premiums in all core countries, lower technical charges (lower storm-related impact and the fact that the previous quarter had been impacted by a re-assessment of claims provisions) and a lower ceded reinsurance result. Technical non-life insurance income was slightly down (-4%) on the figure recorded in the year-earlier quarter, with the increase in earned premium income being more than offset by higher technical charges and a lower ceded reinsurance result. Overall, the combined ratio for the first nine months of 2019 came to 92%, compared to 88% for full-year 2018.

Technical income from our life insurance activities was -6 million euros, compared to 0 million euros in the previous quarter and -10 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (403 million euros) were down 12% on the level recorded in the previous quarter. Most of this decline was due to lower sales of unit-linked life insurance products in Belgium and the Czech Republic. Compared to the year-earlier quarter, however, sales of life insurance products were up 5%, driven by higher sales of both unit-linked and guaranteed interest products in Belgium. Overall, the share of guaranteed-interest products in our total life insurance sales stood at 60% in the quarter under review, with unit-linked products accounting for the remaining 40%.

At 444 million euros, net fee and commission income was up 2% on the figure recorded in the previous quarter and up by as much as 5% 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 payment-related fees, partly a seasonal effect), as well as from the ČMSS impact, while paid distribution fees rose somewhat due chiefly to the increase in non-life insurance sales. Compared to a year earlier, net fee and commission income benefited from an increase in fees related to banking services, slightly lower paid distribution fees and the ČMSS impact, while fee income related to asset management services was virtually unchanged. At the end of September 2019, our total assets under management stood at 212 billion euros, up 1% quarter-on-quarter, with improving asset prices (+2%, despite ongoing market unrest) more than offsetting net outflows (-1%). Year-on-year, total assets under management remained more or less unchanged, with the 4% net outflow (mainly in investment advice) being almost fully offset by a comparable price improvement.

All other remaining income items amounted to an aggregate 16 million euros, down significantly on the 170 million euros recorded in the previous quarter and the 147 million euros in the year-earlier quarter. This included a negative 46-million-euro net result from financial instruments at fair value (trading and fair value income), down on the already weak -2 million euros recorded in the previous quarter and down significantly on the 79 million euros recorded in the year-earlier quarter. The quarter's trading and fair value income was negatively impacted mainly by poor dealing room income and the aggregate negative impact of various market value adjustments. The other remaining income items also included seasonally lower dividend income of 14 million euros (down on the 39 million euros recorded in the second quarter of the year when the bulk of dividends is usually received), a 5-million-euro net realised result from debt instruments at fair value through other comprehensive income and 43 million euros in net other income. The figure for net other income came to 56 million euros in the year-earlier quarter and to 133 million euros in the previous quarter, which had benefited from a one-off 82-million-euro gain related to the revaluation of the existing stake in ČMSS that was

triggered by the acquisition of the remaining participation in that company. It should be noted that the largest one-off item included in net other income in the quarter under review was an 18-million-euro charge related to the tracker mortgage review in Ireland (14 million euros of which relating to a provision for a potential sanction).

## Operating expenses

975 million euros

Operating expenses in the third quarter were down 1% compared to the previous quarter. When certain non-operating items are excluded and bank taxes evenly spread throughout the year, the cost/income ratio for the nine-month period amounted to 59%.

Operating expenses in the third quarter of 2019 stood at 975 million euros. Excluding bank taxes, operating expenses fell by 1%, both quarter-on-quarter and year-on-year. In both cases, the difference is accounted for by a number of factors, including lower staff costs (despite wage inflation in most countries), higher depreciation costs, the effect of the full consolidation of ČMSS since June 2019 and a number of one-off items in the current and reference quarters.

When certain non-operating items are excluded and the bank tax evenly spread throughout the year, the cost/income ratio of our banking activities came to 59% for the first nine months of 2019, compared to 57% for full-year 2018. Including the non-operating items and the bank taxes actually recorded, the cost/income ratio of our banking activities stood at 60% year-to-date.

## Loan loss impairment

25-million-euro net increase

Net loan loss impairment charge of 25 million euros, down on the 36 million euros recorded in the previous quarter. Benign credit cost ratio of 0.10% for the first nine months of the year.

In the third quarter of 2019, we recorded a 25-million-euro net impairment charge, compared with a net charge of 36 million euros in the previous quarter and a net release of 8 million euros in the third quarter of 2018. Most of the net impairment charge in the third quarter of 2019 related to files in the corporate segment. Broken down by country, loan loss impairment charges in the third quarter of 2019 came to 21 million euros in Belgium, 9 million euros in the Czech Republic, 6 million euros in Slovakia, 1 million euros in Hungary and 6 million euros in Bulgaria, while there were net impairment releases of 7 million euros in Ireland and 10 million euros in the Group Centre. For the entire group, the credit cost ratio amounted to 0.10% for the first nine months of the year, compared to -0.04% for full-year 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 September 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 2.0% 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 the past quarters.

Impairment on assets other than loans stood at 1 million euros, compared to 4 million euros in the previous quarter and 6 million euros in the third quarter of 2018.

## Net result

by business unit

Belgium	Czech Republic	International Markets	Group Centre
368 million euros	159 million euros	85 million euros	0 million euros

Belgium: the net result (368 million euros) was down 5% quarter-on-quarter. The third quarter result included higher interest income, improved technical insurance results, seasonally lower dividend income, significantly lower trading and fair value income, slightly higher net fee and commission income, and lower costs and loan loss impairment charges.

Czech Republic: the net result (159 million euros) was down 36% on its level for the previous quarter, since that quarter had included a one-off revaluation gain of 82 million euros on the existing 55% participation in ČMSS following the acquisition of the remaining 45% stake. Excluding that item, the net result was down 4%, which was due mainly to lower trading and fair value income, partly offset by higher net interest income.

International Markets: the 85-million-euro net result breaks down as follows: 12 million euros in Slovakia, 45 million euros in Hungary, 23 million euros in Bulgaria and 4 million euros in Ireland. For the business unit as a whole, the net result was down 18% quarter-on-quarter, due mainly to Bulgaria and Hungary (partly as a result of higher loan loss impairments in both countries) and Ireland (where the positive effect of a decrease in costs and the net release of loan loss provisions was more than offset by a negative one-off item related to the tracker mortgage review).



Group Centre: the net result (0 million euros) was down 4 million euros quarter-on-quarter. The quarter under review benefited from higher trading and fair value income and a higher release of loan loss provisions, among other things, but this performance was more than offset by the fact that the previous quarter had benefited from a significant positive one-off item in the tax line.

Selected ratios by business unit	Belgium		Czech Republic		International Markets	
	9M2019	FY2018	9M2019	FY2018	9M2019	FY2018
Cost/income ratio, banking excluding certain non-operating items and spreading the bank tax evenly	58%	58%	47%	46%	68%	65%
Combined ratio, non-life insurance	91%	87%	94%	97%	88%	90%
Credit cost ratio*	0.16%	0.09%	0.05%	0.03%	0.02%	-0.46%
Impaired loans ratio	2.3%	2.6%	2.3%	2.4%	9.1%	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](http://www.kbc.com)).

Equity, solvency and liquidity	Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
	19.6 billion euros	15.4%	140%	135%

At the end of September 2019, total equity stood at 19.6 billion euros, comprising 18.1 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was more or less unchanged on its level at the end of 2018, owing to the combined effect of a number of items, including profits for the nine-month period (+1.8 billion euros), the call of an additional tier-1 instrument and 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 decision to pay an interim dividend for 2019 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').

Our common equity ratio at 30 September 2019 amounted to 15.4%, without recognition of the net profit for the first nine months of 2019. When we include the IFRS net profit for that period, taking into account the payout ratio of 59% (dividend + AT1 coupon) for full-year 2018, the common equity ratio amounted to 15.9% at the end of September 2019, compared to 16% at the end of 2018. Our leverage ratio (Basel III, fully loaded) came to 6.0%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 187% at the end of September 2019. Our liquidity position remained excellent too, as reflected in an LCR ratio of 140% and an NSFR ratio of 135% at 30 September.

## Analysis of the year-to-date period (9M2019)

Net result	The net result for the first nine months of 2019 was down 8% compared to the corresponding period of 2018. Total income was more or less in line with the year-earlier period, with 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) almost fully offsetting the decrease in the other income lines. Costs remained strictly under control, with the full 1% increase being accounted for by higher bank taxes. Loan loss impairment charges amounted to 128 million euros, significantly higher than the net impairment release of 92 million euros in the year-earlier period.
1 787 million euros	

Highlights (compared to the first nine months of 2018):

- Somewhat higher net interest income (up 2% to 3 436 million euros), due to *inter alia* lower funding costs, higher commercial lending volumes, the positive impact of short-term rate increases in the Czech Republic and the ČMSS impact, which offset pressure on portfolio margins, the negative effects of lower reinvestment yields in our core euro-area countries and the lower netted positive impact of ALM FX swaps. The volume of deposits and debt certificates was up 4%, and lending volumes increased by 4% as well, with growth in all business units. These volume figures have been calculated on a comparable scope basis. The net interest margin in the first nine months of 2019 came to 1.95%, down 5 basis points year-on-year.

- A slight decrease in the contribution to profit made by the technical insurance result (down 2% to 506 million euros). At 1 378 million euros, life insurance sales were up by 5%, with higher sales of both guaranteed-interest and unit-linked products. Non-life sales were up 8% year-on-year. The non-life insurance technical result was slightly down (4%) on the figure for the year-earlier period, with the higher premium income and ceded reinsurance result being offset by increased technical charges. The non-life combined ratio for the first nine months of the year stood at 92%, compared to 88% for full-year 2018.
- Slightly lower net fee and commission income (down 2% to 1 289 million euros), attributable primarily to a decrease in fees for asset management services which more than offset higher banking services-related fees and the ČMSS impact. At the end of September 2019, total assets under management stood at 212 billion euros, in line with the level recorded a year earlier (as the positive price improvement roughly offset the net outflow).
- A lower level of all other income items combined (down 22% to 357 million euros), as the higher level of net other income (including the ČMSS-related positive one-off gain of 82 million euros in May 2019) could not fully offset the significant drop in trading and fair value income (caused primarily by weak dealing room income and the aggregate negative impact of various market value adjustments).
- Strict cost control (expenses up less than 1% to 3 258 million euros), with the entire cost increase accounted for by higher bank taxes. Hence, excluding bank taxes, costs stood at the same level as a year earlier, notwithstanding the negative effect of the full consolidation of ČMSS since June 2019. As a result, the year-to-date cost/income ratio came to 60%, or an adjusted 59% when bank taxes are evenly spread throughout the year and certain non-operating items are excluded (compared to 57.5% and 57%, respectively, for full-year 2018).
- A significant net increase in loan loss impairments (net addition of 128 million euros in the first nine months of 2019, compared to a net release of 92 million euros in the year-earlier period). This was due largely to Ireland (18-million-euro net release of impairments in the period under review, compared to a 96-million-euro net release in the reference period) and Belgium (net addition of 134 million euros in the period under review, compared to 43 million euros in the reference period). As a result, the credit cost ratio for the whole group stood at 0.10%, compared to -0.04% for full-year 2018 (a negative figure indicates a positive impact on the results).
- The 1 787-million-euro net result for the first nine months of 2019 breaks down as follows: 932 million euros for the Belgium Business Unit (-14% compared to the year-earlier period), 584 million euros for the Czech Republic Business Unit (+21%, owing primarily to the positive one-off gain of 82 million euros related to ČMSS in May 2019), 260 million euros for the International Markets Business Unit (-41%) and 10 million euros for the Group Centre (compared to a negative 64 million euros in the first nine months of 2018). The result for the International Markets Business Unit for the first nine months of 2019 includes 27 million euros for Ireland (down 118 million euros compared to the reference period, due to significantly lower loan loss impairment releases, as well as lower net interest income and net other income), 124 million euros for Hungary, 41 million euros for Slovakia and 66 million euros for Bulgaria.

## Risk statement, economic views and guidance

### Risk statement

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

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

We provide risk management data in our annual reports, quarterly reports and dedicated risk reports, all of which are available at [www.kbc.com](http://www.kbc.com).

### Our view on interest rates and foreign exchange rates



## Press Release

Outside trading hours - Regulated information\*

A weaker economic outlook with elevated risks and below-target inflation levels have led to a shift in major central banks' forward guidance towards additional or renewed monetary stimuli. Following the rate cuts earlier this year, we expect the Fed to keep its policy rate constant this year and the next year. Since euro-area inflation will remain below the ECB's medium-term target and risk factors, such as trade conflicts, are negatively impacting the momentum of European growth, the ECB will most likely 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) tightened its monetary policy with a somewhat sooner-than-expected rate hike earlier this year (+25 basis points to 2% on 2 May), reflecting an environment of buoyant Czech growth and inflation.

### Our view on economic growth

In line with global economic developments, the European economy is currently slowing down. Decreasing unemployment rates and growing labour shortages in some European economies, combined with solid wage inflation, are likely to continue underpinning private consumption. Investment is also likely to remain supportive for 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 and political turmoil in some euro-area countries.

### Guidance

- Solid returns for all business units.
- Basel IV impact (as of 1 January 2022) for KBC is estimated to increase risk-weighted assets (RWA) by roughly 8 billion euros (on a fully loaded basis at the end of 2018), corresponding to RWA inflation of 9% and an impact on the common equity ratio of -1.3 percentage points.

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