KBC GROUP
QUARTERLY REPORT 3Q2020

KBC GROUP
Report for 3Q2020

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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Date of release: 12 November 2020

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.'

Third-quarter result of 697 million euros

KBC Group – overview (consolidated, IFRS)	3Q2020	2Q2020	3Q2019	9M2020	9M2019
Net result (in millions of EUR)	697	210	612	902	1 787
Basic earnings per share (in EUR)	1.64	0.47	1.44	2.08	4.19
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*486*	*204*	*368*	*605*	*932*
Czech Republic	*116*	*77*	*159*	*281*	*584*
International Markets	*123*	*-45*	*85*	*113*	*260*
Group Centre	*-28*	*-26*	*0*	*-97*	*10*
Parent shareholders' equity per share (in EUR, end of period)	46.6	44.9	43.5	46.6	43.5

During the third consecutive quarter of facing up to the challenges of the pandemic, the harsh reality that coronavirus is still far from being eradicated has become very clear. It is still causing human suffering all over the world and unprecedented economic upheaval. However, the various government relief measures should help control the overall impact going forward. Obviously, the long-term impact of the coronavirus crisis on society will be significant. It will also depend on the number and intensity of any new outbreaks, as well as on the timing of developing and distributing a vaccine or cure.

Meanwhile, we have been working hard with government agencies to support all customers impacted by coronavirus, by efficiently implementing various relief measures, including loan deferrals. In our six home countries combined, we have granted a total of 13.7 billion euros in loan payment deferrals by the end of September 2020 (according to the EBA definition) and have also granted 0.6 billion euros' worth of loans under public corona guarantee schemes. At the same time, we have continued providing a high level of service to our customers in all our core markets, thanks to the expertise and commitment of our employees, in combination with the efforts and investments we have made over the past few years on the digital transformation front. Given that the pandemic has accelerated the trend to digitalisation, we are clearly benefiting from our digital transformation efforts. We will continue to work on solutions to proactively make life easier for our customers, thanks in part to the extensive use of artificial intelligence and data analysis. We will be communicating on this and other topics in more depth during a separate strategy session today, with the accompanying press release being issued at 1 p.m. CET.

As regards our financial results, we generated a net profit of 697 million euros in the third quarter of 2020, leading to a return on equity of 15% in the third quarter of 2020 (when bank taxes are spread evenly throughout the year). The third quarter profit is well above the 210 million euros recorded in the previous quarter, which had included 746 million euros in collective impairment charges for the coronavirus crisis. Our net interest income went up quarter-on-quarter, while our trading and fair value result fared well too, though it was down on the exceptionally high level recorded in the previous quarter. In the current lower-for-longer interest rate environment, this quarterly result is also clearly benefiting from the diversification achieved through KBC's integrated bank-insurance model. This was reflected in a strong non-life result (good premium growth and an excellent combined ratio of 83% year-to-date), as well as higher net fee and commission income. Costs remained clearly under control. Adding the result for this quarter to the one for the first half of the year brings our net profit for the first nine months of 2020 to 902 million euros.

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 142% and an NSFR of 146% at the end of September 2020. Consequently, our current capital and liquidity buffers allow us to face today's challenges with confidence.

In closing, I would like to take this opportunity to explicitly thank all stakeholders who have continued to put their trust in us. I also wish to express my sincere thanks to all colleagues who have expended huge efforts to serve our customers and support the sound functioning of the group in these challenging times.

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 third quarter of 2020

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

- Net interest income increased by 4% quarter-on-quarter and decreased by 4% year-on-year. The quarter-on-quarter increase was due mainly to the positive impact of TLTRO III, a positive one-off item related to inflation-linked bonds (insurance), higher margins on the new production of mortgage loans than the margins on the outstanding portfolios in Belgium, the Czech Republic and Slovakia, and the higher netted impact of ALM FX swaps. These items more than offset the negative impact of past rate cuts made by the CNB in the Czech Republic and the lower reinvestment yields in general. Year-on-year, the decrease was mainly related to the past CNB rate cuts in the Czech Republic, the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro and the negative impact of lower reinvestment yields, which could not be fully offset by the positive impact of TLTRO III, the above-mentioned positive one-off item, ECB tiering and a larger loan and bond portfolio.

- Loan volumes were up 1% quarter-on-quarter and 4% year-on-year, with year-on-year growth recorded in all business units. The volume of granted loans with payment holidays in the various relief schemes amounted to 13.7 billion euros by the end of September 2020 (EBA definition).
  Deposits excluding debt certificates grew by 1% quarter-on-quarter and 9% year-on-year, 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 down 9% on its level in the previous quarter, which had included significantly lower technical charges related to the effect of the lockdown. It was up 22% year-on-year, thanks to a combination of higher premium income and lower technical charges. Consequently, the combined ratio for the first nine months of 2020 amounted to an excellent 83%. Sales of our life insurance products were down 25% on the level recorded in the previous quarter and up 4% on their level in the year-earlier quarter.

- Net fee and commission income was slightly higher (1%) than the level recorded in the previous quarter and down 12% year-on-year. Quarter-on-quarter, the positive effect of higher asset management fees was partly offset by the higher level of distribution fees paid. Year-on-year, both asset management fees and banking service fees were down, while distribution fees were up.

- The trading and fair value result amounted to 85 million euros, down on the very high level recorded in the previous quarter, and up year-on-year. On the whole, the huge drop in the trading and fair value result in the first quarter of the year has now been offset for a large part by the positive trading and fair value result recorded in the two subsequent quarters.

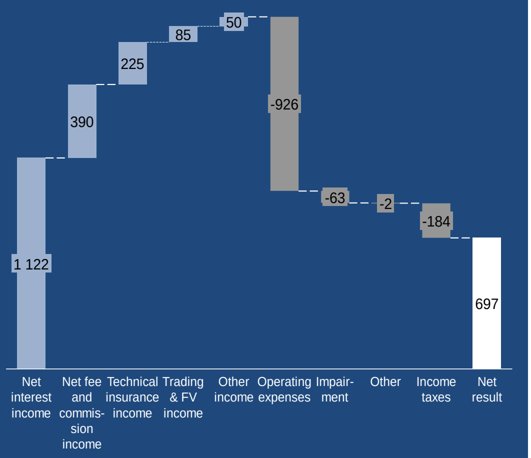
- All other income items combined were 31% and 19% lower than the figures recorded in the previous and year-earlier quarters, respectively, primarily because the quarter under review included a negative one-off item related to the tracker mortgage review in Ireland, and lower dividend income.

- Costs have been reduced. Excluding bank taxes, they were down 4% compared to the year-earlier quarter as a result of cost-saving measures. Compared to the low level recorded in the previous quarter, costs were up 3%. The resulting cost/income ratio amounted to 59% for the first nine months of the year, compared to 58% for full-year 2019 (when certain non-operating items are excluded and bank taxes spread evenly throughout the year).

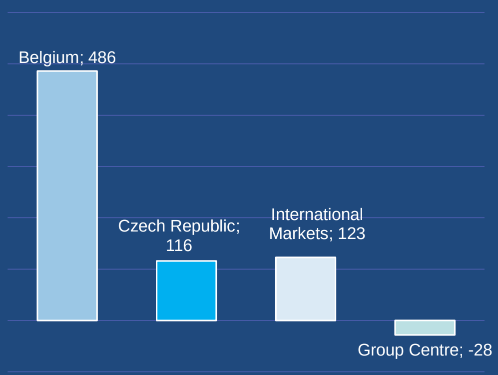
- Loan loss impairment charges amounted to 52 million euros in the quarter under review, well down on the 845-million-euro charge in the previous quarter, which had incorporated 746 million euros' worth of collective impairment charges for the coronavirus crisis. As a consequence, the credit cost ratio for the first nine months of the year amounted to 0.61%, up from 0.12% for full-year 2019.

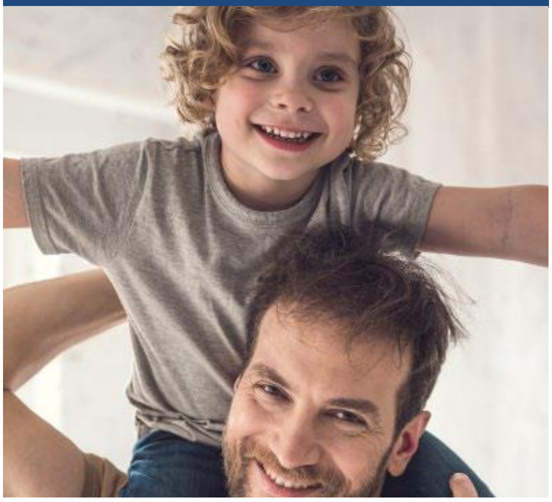
- Our liquidity position remained strong with an LCR of 142% and NSFR of 146%. Our capital base remained robust as well, with a fully loaded common equity ratio of 16.6%.

Breakdown of 3Q2020 result
(in millions of EUR)



Contribution of the business units to 3Q2020 group result
(in millions of EUR)





Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2020	2Q2020	1Q2020	4Q2019	3Q2019	9M2020	9M2019
Net interest income	1 122	1 083	1 195	1 182	1 174	3 400	3 436
Non-life insurance (before reinsurance)	233	255	185	229	192	673	527
Earned premiums	*448*	*435*	*443*	*441*	*440*	*1 327*	*1 280*
Technical charges	*-215*	*-180*	*-258*	*-212*	*-248*	*-654*	*-753*
Life insurance (before reinsurance)	1	6	0	2	-5	6	-7
Earned premiums	*267*	*276*	*297*	*364*	*291*	*841*	*959*
Technical charges	*-266*	*-271*	*-297*	*-363*	*-297*	*-834*	*-966*
Ceded reinsurance result	-9	-13	-7	-11	-9	-30	-14
Dividend income	12	17	12	17	14	41	65
Net result from financial instruments at fair value through P&L[1]	85	253	-385	130	-46	-47	51
Net realised result from debt instruments at fair value through other comprehensive income	1	2	0	0	5	4	7
Net fee and commission income	390	388	429	445	444	1 207	1 289
Net other income	37	53	50	47	43	139	234
Total income	1 872	2 043	1 479	2 041	1 813	5 394	5 588
Operating expenses	-926	-904	-1 338	-1 045	-975	-3 168	-3 258
Impairment	-63	-857	-141	-82	-26	-1 060	-134
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-52*	*-845*	*-121*	*-75*	*-25*	*-1 018*	*-128*
Share in results of associated companies & joint ventures	-2	-3	-3	-1	0	-9	8
Result before tax	881	279	-3	912	812	1 157	2 204
Income tax expense	-184	-69	-2	-210	-200	-255	-417
Result after tax	697	210	-5	702	612	902	1 787
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**697**	**210**	**-5**	**702**	**612**	**902**	**1 787**
Basic earnings per share (EUR)	1.64	0.47	-0.04	1.66	1.44	2.08	4.19
Diluted earnings per share (EUR)	1.64	0.47	-0.04	1.66	1.44	2.08	4.19

Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-09-2020	30-06-2020	31-03-2020	31-12-2019	30-09-2019
Total assets	321 193	317 388	301 451	290 735	294 830
Loans and advances to customers, excl. reverse repos	157 773	157 563	158 364	155 816	154 863
Securities (equity and debt instruments)	71 310	72 131	67 176	65 633	65 122
Deposits from customers & debt certificates, excl. repos	211 672	210 811	208 293	203 369	205 270
Technical provisions, before reinsurance	18 613	18 775	18 816	18 560	18 549
Liabilities under investment contracts, insurance	12 482	12 505	11 979	13 610	13 456
Parent shareholders' equity	19 384	18 710	18 220	18 865	18 086

Selected ratios KBC group (consolidated)	9M2020	FY2019
Return on equity	6%[3]	14%
Cost/income ratio, banking (when excluding certain non-operating items and spreading bank taxes evenly throughout the year)	61% (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]	15.5% [15.5%]	15.8%
Leverage ratio, Basel III fully loaded	5.9%	6.8%
Credit cost ratio	0.61%	0.12%
Impaired loans ratio	3.2%	3.5%
for loans more than 90 days past due	1.8%	1.9%
Net stable funding ratio (NSFR)	146%	136%
Liquidity coverage ratio (LCR)	142%	138%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 This is 7% 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 (3Q2020)

Total income 1 872 million euros	• Total income down 8% quarter-on-quarter. • Net interest income and net fee and commission income up. • Technical insurance income, dividend income, trading and fair value income, and net other income down.

Net interest income amounted to 1 122 million euros in the quarter under review, up 4% on the figure recorded in the previous quarter and down 4% year-on-year. The quarter-on-quarter increase was due mainly to the positive impact of TLTRO III, a positive one-off item related to inflation-linked bonds (insurance), higher margins on the new production of mortgage loans than the margins on the outstanding portfolios in Belgium, the Czech Republic and Slovakia, and the higher netted impact of ALM FX swaps. These items more than offset the negative impact of the rate cuts made in the past by the CNB in the Czech Republic and the lower reinvestment yields in general. Year-on-year, the decrease was mainly related to the past CNB rate cuts in the Czech Republic, the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro and the negative impact of lower reinvestment yields, which could not be fully offset by the positive impact of TLTRO III, the above-mentioned positive one-off item, ECB tiering and a larger loan and bond portfolio.

The total volume of customer lending (158 billion euros) was up 1% quarter-on-quarter and 4% year-on-year, with year-on-year growth recorded in all business units. The volume of granted loans with payment holidays in the various relief schemes amounted to 13.7 billion euros by the end of September 2020 according to the EBA definition (broken down evenly among home loans, SME loans and loans to corporations). For approximately 1 billion euros of that amount, the moratorium has already expired by the end of September 2020 (of which 97% resumed payments). In addition to this, we granted some 0.6 billion euros in loans that fall under the various corona-related government guarantee schemes in our home markets.
Customer deposits including debt certificates (212 billion euros) were up 1% quarter-on-quarter and 4% year-on-year, with year-on-year growth in all business units. Excluding debt certificates, deposits were up by no less than 9% year-on-year. All growth figures disregard forex movements.
The net interest margin for the quarter under review amounted to 1.81%, down 1 and 13 basis points, respectively, on the figures recorded in the previous and year-earlier quarters.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 225 million euros to total income, down 9% on the excellent performance recorded in the previous quarter and up 22% on the corresponding year-earlier quarter. Notwithstanding higher earned premium income, the quarter-on-quarter non-life technical income decrease came about primarily because of higher technical charges (claims gradually returning to more normal levels following the exceptionally low level in the second quarter as a consequence of the lockdown). The year-on-year increase was due to a combination of lower charges and higher premium income. Overall, the combined ratio for the first nine months 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 0 million euros, compared to 1 million euros in the previous quarter and -6 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (420 million euros) were down 25% on the level recorded in the previous quarter, due to lower sales of both unit-linked and guaranteed-interest life products in Belgium. Sales were up 4% on the level recorded in the year-earlier quarter, driven by higher sales of unit-linked products in Belgium (due to the shift from mutual funds to unit-linked products by private banking customers) and only partially offset by lower sales of guaranteed-interest products (due mainly to the suspension of universal single life insurance in Belgium). Overall, in the quarter under review, both unit-linked products and guaranteed-interest products accounted for approximately half of our total life insurance sales.

In the quarter under review, **net fee and commission income** amounted to 390 million euros. This figure was slightly up (1%) on the level of the previous quarter, with the increase in fees for our asset management business (higher management fees) more than offsetting the higher level of distribution fees paid for non-life insurance products (higher sales), with fee income from our banking activities remaining stable (recovery of payment transaction fees largely offset by a decrease in securities-related fees). Compared to the year-earlier quarter, net fee and commission income was down 12%, due to a combination of lower asset management related fees, lower fees for banking services (especially for payment services), higher distribution fees paid and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro. At the end of September 2020, our total assets under management amounted to 204 billion euros, up 1% quarter-on-quarter but down 4% year-on-year. The quarter-on-quarter increase was due to a further recovery in asset prices (+1%), combined with a limited net inflow in mutual funds. The year-on-year decrease resulted mainly from lower asset prices.

The **net result from financial instruments at fair value** (trading and fair value income) amounted to 85 million euros, continuing its recovery from the very negative level in the first quarter (-385 million euros), though much less so than the exceptional rebound recorded in the second quarter. Consequently, it was down 168 million euros on the very high level recorded in that second quarter (lower dealing room results, lower amount resulting from market value adjustments and lower result of the insurance share portfolio) and up 131 million euros year-on-year (thanks mainly to higher dealing room results and a higher amount resulting from market value adjustments).

The **other remaining income items** included dividend income of 12 million euros, down on the figure recorded in the previous quarter (as the second quarter of the year traditionally includes the bulk of received dividends), and also slightly down on the year-earlier figure. The remaining income lines also included 37 million euros in net other income, somewhat below the normal run rate for this item as, among other things, it included a negative 6 million euros for the tracker mortgage review in Ireland (4 million euros of which relating to the tracker mortgage fine).

Operating expenses

926 million euros

- Operating expenses excluding bank taxes up 3% quarter-on-quarter, but down 4% year-on-year.
- Cost/income ratio for the first nine months of 2020 at 59% (when certain non-operating items are excluded and bank taxes are spread evenly through the year).

Operating expenses in the third quarter of 2020 amounted to 926 million euros. Excluding bank taxes, this constitutes an increase of 3% compared to the low level recorded in the second quarter of 2020. This was due to a number of factors, including higher staff expenses (wage inflation and the fact that the previous quarter had benefited from a decrease in accruals for variable remuneration), increased marketing costs (seasonal), higher facilities expenses and higher depreciation expenses. These items were not fully offset by the positive impact of, *inter alia*, a decrease in FTEs and a reduction in ICT and professional fees.
Year-on-year, expenses excluding bank taxes were down 4%, thanks essentially to lower staff expenses (lower accruals for variable remuneration and a decrease in FTEs), lower ICT costs, some direct coronavirus crisis impact (lower facilities, marketing and professional fees) and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro. These items more than offset the negative impact of wage drift and increased depreciation costs, among other things.

The cost/income ratio of our banking activities came to 61% for the first nine months of 2020. Excluding certain non-operating items and spreading bank taxes evenly throughout the year, the ratio amounted to 59%, more or less in line with the 58% recorded for full-year 2019.

Loan loss impairment

52-million-euro charge

- Net loan loss impairment charges significantly down on their level in the previous quarter, which had included 746 million euros in collective impairment charges related to the coronavirus crisis.
- Credit cost ratio for the first nine months at 0.61%.

In the third quarter of 2020, we recorded a 52-million-euro net loan loss impairment charge, compared with a net charge of 845 million euros in the previous quarter and 25 million euros in the third quarter of 2019. The huge drop compared to the previous quarter came about because the second quarter had included 746 million euros in collective impairment charges for the coronavirus crisis. In the third quarter, this amount was adjusted slightly (reduced by 5 million euros, following updated macroeconomic forecasts and management overlay), bringing the collective impairment charges related to the coronavirus crisis for the first nine months to 784 million euros. Of this amount, 637 million euros was based on a 'management overlay' and 147 million euros captured by the ECL models through updated macroeconomic variables. A detailed calculation and background information regarding collective impairment charges for the coronavirus crisis is provided in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report.

Broken down by country, loan loss impairment charges in the third quarter of 2020 came to 41 million euros in Belgium, 15 million euros in the Czech Republic, 2 million euros in Bulgaria and 2 million euros for the Group Centre, while both Slovakia and Hungary recorded small net reversals of impairment (5 million euros and 3 million euros, respectively).

For the entire group, the credit cost ratio amounted to 0.61% for the first nine months of 2020 (0.17% excluding the amount recorded for the coronavirus crisis), up from 0.12% for full-year 2019. The impaired loans ratio was down on its level at the start of the year: at the end of September 2020, some 3.2% of our total loan book was classified as impaired (Stage 3), compared to 3.5% at year-end 2019. Impaired loans that are more than 90 days past due amounted to 1.8% of the loan book, compared to 1.9% at year-end 2019.

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

Impairment on assets *other than loans* amounted to 11 million euros, compared to 12 million euros in the previous quarter and 1 million euros in the third quarter of 2019. The figure for the quarter under review included several small items (4 million euros of which resulting from an impairment on a lease contract relating to a head-office building in Hungary), whereas the figure for the previous quarter had related primarily to the accounting treatment of payment moratoria in our various countries.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
486 million euros	116 million euros	123 million euros	-28 million euros

Belgium: the net result (486 million euros) went up by 282 million euros quarter-on-quarter, due mainly to the drop in loan loss impairment compared to the significant amount recorded in the second quarter, which comprised 378 million euros in collective impairment charges for the coronavirus crisis. Other items accounting for the quarter-on-quarter difference were higher net interest income and lower trading and fair value income (compared to the high level recorded in the second quarter). Net fee and commission income and costs remained virtually unchanged.

Czech Republic: the net result (116 million euros) was up 50% on its level for the previous quarter, due mainly to significantly lower loan loss impairment charges, as the second quarter had included 152 million euros in collective impairment charges for the coronavirus crisis. This more than offset the quarter-on-quarter decrease in net interest income, trading and fair value income and technical insurance result, and the increase in expenses (compared to the very low level in the second quarter).

International Markets: the 123-million-euro net result breaks down as follows: 33 million euros in Slovakia, 51 million euros in Hungary, 27 million euros in Bulgaria and 13 million euros in Ireland. For the business unit as a whole, the net result was up 169 million euros quarter-on-quarter. This increase came about mainly on account of lower loan loss impairment charges in all countries, as the second quarter had included 215 million euros in collective impairment charges for the coronavirus crisis.

Group Centre: the net result (-28 million euros) was slightly lower (-2 million euros) than the figure recorded in the previous quarter, with the drop in trading and fair value income, lower ceded reinsurance result and higher costs being partly offset by higher net interest income (TLTRO III).

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**9M2020**	**FY2019**	**9M2020**	**FY2019**	**9M2020**	**FY2019**
Cost/income ratio, banking (excluding certain non-operating items and spreading bank taxes evenly throughout the year)	57%	60%	51%	47%	66%	68%
Combined ratio, non-life insurance	83%	89%	87%	94%	82%	88%
Credit cost ratio*	0.59%	0.22%	0.64%	0.04%	0.79%	-0.07%
Impaired loans ratio	2.2%	2.4%	2.1%	2.3%	7.2%	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
20.9 billion euros	16.6%	142%	146%

At the end of September 2020, total equity amounted to 20.9 billion euros, comprising 19.4 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 0.5 billion euros on its level at the end of 2019. This was due to the combined effect of a number of items, including the profit for the nine-month period (+0.9 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), an increase in the revaluation reserve for bonds (+0.1 billion euros), translation differences (-0.4 billion euros, due to the depreciation of the Czech koruna and Hungarian forint in the period under review) and a number of minor items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

At 30 September 2020, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to a solid 16.6%, stable compared to three months earlier (despite 1 billion euros in RWA add-ons for anticipated PD-migrations) and down somewhat on the 17.1% recorded at the end of 2019 (due chiefly to the absence of IFRS interim profit recognition). Our fully loaded leverage ratio (Basel III) came to 5.9%, compared to 6.8% at the end of 2019. The solvency ratio for KBC Insurance under the Solvency II framework was 196% at the end of September 2020, compared to 202% at the end of 2019.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 142% and an NSFR ratio of 146% 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 (9M2020)

Net result	
902 million euros	• Net result down by half on the corresponding period of 2019. • Loan loss impairment charges significantly up, as they included 784 million euros in collective impairment charges for the coronavirus crisis. • Net interest income, net fee and commission income, trading and fair value income, dividend income and net other income down. • Technical insurance result up and costs down.

Highlights (compared to the first nine months of 2019):

- Slightly lower **net interest income** (down 1% to 3 400 million euros), as *inter alia*, the rate cuts made by the CNB in the Czech Republic, the depreciation of the Czech koruna and Hungarian forint against the euro, the negative impact related to lower reinvestment yields and loan portfolio margin pressure in most core countries (except in Belgium) could not be fully offset by the positive impact of TLTRO III, a positive one-off item related to inflation-linked bonds (insurance), ECB tiering, the ČMSS impact (consolidated for nine months in the year-to-date period in 2020 compared to just four months in the corresponding period in 2019) and a larger loan and bond portfolio. The volume of deposits and debt certificates increased by 4% (or 9% excluding debt certificates) and lending volumes increased by 4%, with growth in all business units. All growth figures disregard forex movements. The net interest margin in the first nine months of 2020 came to 1.86%, down 9 basis points year-on-year.

- Increased **technical insurance result** (up 28% to 649 million euros). The non-life insurance technical result was up 25%, thanks largely to the lower level of technical charges (partly related to the lower level of claims in the lockdown period and a negative one-off item in the reference period) and higher earned premiums, notwithstanding a lower ceded reinsurance result. The year-to-date non-life combined ratio amounted to an excellent 83%, compared to 90% for full-year 2019. Life insurance sales (1 407 million euros) were up by 2%, with the increase in sales of unit-linked products more than offsetting the decrease in sales of guaranteed-interest products.

- Lower **net fee and commission income** (down 6% to 1 207 million euros), attributable primarily to a decline in fees for asset management services, and to a lesser extent, lower fees for banking services, higher distribution fees paid and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro, notwithstanding the positive ČMSS impact. At the end of September 2020, total assets under management amounted to 204 billion euros, down 4% on the level recorded a year earlier (mainly due to price decreases).

- Lower **trading and fair value income** (down 98 million euros to -47 million euros). The figure for the first nine months of the year was the result of a huge drop in the first quarter (as the outbreak of the coronavirus crisis initially caused stock markets to tumble, credit spreads to widen and long-term interest rates to fall), followed by a significant recovery in the second and third quarters.

- Lower level of all **other income items combined** (down 40% to 184 million euros), mainly attributable to the fact that the reference period had included the ČMSS-related one-off gain of +82 million euros and – to a lesser extent – to the lower level of dividend income.

- Lower **operating expenses** (down 3% to 3 168 million euros). Excluding bank taxes, operating expenses were down by 4%, in line with the guidance for full-year 2020 (see further below). This was due to items such as lower staff expenses (lower accruals for variable remuneration and a decrease in FTEs), lower ICT costs, some direct coronavirus crisis impact (lower facilities, marketing and professional fees) and the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro. These items more than offset the negative impact of wage drift, increased depreciation costs and the ČMSS impact, among other things. The year-to-date cost/income ratio came to 61%, 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).

- Significant increase in **loan loss impairment charges** (up 890 million euros to 1 018 million euros). Over three-quarters (784 million euros) of these impairment charges in the period under review was related to collective impairment charges for the coronavirus crisis, with 637 million euros based on a ‘management overlay’ and 147 million euros captured by the ECL models through updated macroeconomic variables. As a result, the credit cost ratio for the whole group rose to 0.61%, compared to 0.12% for full-year 2019.

- The 902-million-euro **net result** for the first nine months of 2020 breaks down as follows: 605 million euros for the Belgium Business Unit (down 327 million euros on the year-earlier level), 281 million euros for the Czech Republic Business Unit (down 303 million euros), 113 million euros for the International Markets Business Unit (down 147 million euros) and -97 million euros for the Group Centre (down 107 million euros). The result for the International Markets Business Unit for the first nine months of 2020 included 30 million euros for Slovakia, 76 million euros for Hungary, 50 million euros for Bulgaria and -45 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

Growth in the euro area and US bounced back strongly in the third quarter of 2020, as did KBC's home markets. It followed the sharp contraction in the second quarter caused by the pandemic and subsequent policy responses, which led to a lockdown of large parts of the economy. Therefore, the robust third-quarter growth figures largely represent a mechanical impact of economies opening up again, supported by massive monetary and fiscal stimulus packages. The Chinese economy is a notable frontrunner in the recovery cycle, as it returned to positive growth as early as the second quarter of 2020.

However, the pace of this recovery should be treated with caution. First of all, economic activity is still below pre-pandemic levels in both the service and manufacturing sectors, underlining the fact that there is still a long way to go to full recovery. Secondly, forward looking indicators point to downside risks with regard to the strength of the continued recovery in the fourth quarter of 2020 and the first quarter of 2021. In particular, the recovery in the service sector seems to be losing strength of late, with the manufacturing sector still showing some resilience.

The ongoing second wave of the pandemic is also leading to policy responses such as renewed partial or full lockdowns, which will at least temporarily disrupt the road to recovery. Such temporary restrictive policy measures are already being implemented in many European countries. The respective governments are, however, doing their best to limit the direct impact of these measures on economic activity as much as possible.

The other main risk factors to recovery include the Brexit transition phase ending without an EU-UK agreement, as well as renewed tensions in the economic conflict between the US and China.

Our view on interest rates and foreign exchange rates

The US and euro area economies are strongly supported by monetary and fiscal stimuli. We expect the Fed and the ECB to keep their policy rates unchanged in the years to come. Additional quantitative easing by the ECB is likely, with the size and duration of the Pandemic Emergency Purchasing Programme probably being extended. These market interventions will help to preserve the low longer-term interest rate environment for even longer and compress intra-EMU spreads – and Bulgarian sovereign spreads – in the coming years.

The Hungarian central bank recently tightened its policy stance to support the weakening exchange rate of the Hungarian forint against the euro. This depreciation was largely the result of increased global risk aversion. We expect the tightening to be a temporary policy measure, as the forint is forecast to appreciate to a certain extent again in the fourth quarter of 2020. The Czech koruna has also weakened against the euro, which – like the forint – is likely to be a temporary situation. We expect the Czech National Bank (CNB) to keep its policy rate unchanged. If the CNB decides to intervene, it is more likely to use unconventional policy measures.

Since August, the exchange rate of the US dollar has broadly stabilised against the euro, after having weakened significantly over a number of months previously. We expect the dollar to resume its gradual depreciation against the euro in the fourth quarter of 2020, since a major driving force behind the euro – real interest rate differentials – is expected to remain in place.

Guidance	
	• Full-year 2020 guidance: ▪ *Net interest income*: approximately 4.5 billion euros (increased from the 4.4 billion euros stated in the previous quarterly 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); • We will provide a strategy update today, while new long-term financial guidance and our capital deployment plan will be updated when the results for full-year 2020 are published (11 February 2021).

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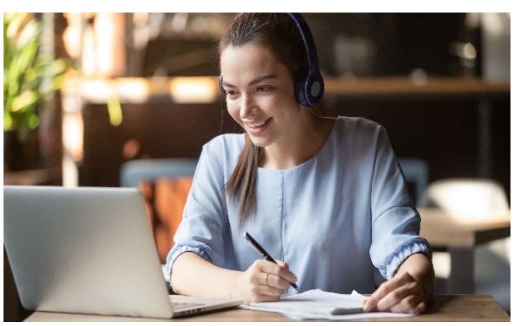
Upcoming events	Strategy update: 12 November 2020, 1 p.m. CET 4Q2020 results and updated new long-term financial guidance & capital deployment plan: 11 February 2021 1Q2021 results: 11 May 2021
More information on 3Q2020	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: 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

3Q 2020 and 9M 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	9M 2020	9M 2019	3Q 2020	2Q 2020	3Q 2019
Net interest income	3.1	3 400	3 436	1 122	1 083	1 174
Interest income	*3.1*	*4 800*	*5 435*	*1 468*	*1 497*	*1 806*
Interest expense	*3.1*	*- 1 400*	*- 1 999*	*- 346*	*- 415*	*- 632*
Non-life insurance (before reinsurance)	3.7	673	527	233	255	192
Earned premiums	*3.7*	*1 327*	*1 280*	*448*	*435*	*440*
Technical charges	*3.7*	*- 654*	*- 753*	*- 215*	*- 180*	*- 248*
Life insurance (before reinsurance)	3.7	6	- 7	1	6	- 5
Earned premiums	*3.7*	*841*	*959*	*267*	*276*	*291*
Technical charges	*3.7*	*- 834*	*- 966*	*- 266*	*- 271*	*- 297*
Ceded reinsurance result	3.7	- 30	- 14	- 9	- 13	- 9
Dividend income		41	65	12	17	14
Net result from financial instruments at fair value through profit or loss	3.3	- 47	51	85	253	- 46
of which result on equity instruments (overlay approach)		*- 37*	*65*	*13*	*31*	*17*
Net realised result from debt instruments at fair value through OCI		4	7	1	2	5
Net fee and commission income	3.5	1 207	1 289	390	388	444
Fee and commission income	*3.5*	*1 763*	*1 833*	*575*	*559*	*629*
Fee and commission expense	*3.5*	*- 556*	*- 543*	*- 184*	*- 172*	*- 185*
Net other income	3.6	139	234	37	53	43
TOTAL INCOME		5 394	5 588	1 872	2 043	1 813
Operating expenses	3.8	- 3 168	- 3 258	- 926	- 904	- 975
Staff expenses	*3.8*	*- 1 703*	*- 1 755*	*- 564*	*- 545*	*- 585*
General administrative expenses	*3.8*	*- 1 191*	*- 1 244*	*- 267*	*- 270*	*- 299*
Depreciation and amortisation of fixed assets	*3.8*	*- 274*	*- 260*	*- 96*	*- 89*	*- 90*
Impairment	3.10	- 1 060	- 134	- 63	- 857	- 26
on financial assets at AC and at FVOCI	*3.10*	*- 1 018*	*- 128*	*- 52*	*- 845*	*- 25*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 42*	*- 6*	*- 11*	*- 12*	*- 1*
Share in results of associated companies and joint ventures		- 9	8	- 2	- 3	0
RESULT BEFORE TAX		1 157	2 204	881	279	812
Income tax expense	3.12	- 255	- 417	- 184	- 69	- 200
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		902	1 787	697	210	612
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**902**	**1 787**	**697**	**210**	**612**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		2.08	4.19	1.64	0.47	1.44
Diluted		2.08	4.19	1.64	0.47	1.44

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 -81 million euros in 9M 2020. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): -119 million euros of which -122 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: -37 million euros including net realized result amounting to +93 million euros and impairment loss of -130 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	9M 2020	9M 2019	3Q 2020	2Q 2020	3Q 2019
RESULT AFTER TAX	902	1 787	697	210	612
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	902	1 787	697	210	612
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	- 319	559	20	406	93
Net change in revaluation reserve (FVOCI debt instruments)	90	658	80	192	239
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 81	150	5	138	11
Net change in hedging reserve (cashflow hedges)	10	- 173	29	5	- 73
Net change in translation differences	- 440	- 86	- 131	86	- 81
Hedge of net investments in foreign operations	99	8	34	- 15	- 2
Net change in respect of associated companies and joint ventures	0	6	0	0	4
Other movements	3	- 3	2	0	- 5
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	- 31	3	- 35	- 110	7
Net change in revaluation reserve (FVOCI equity instruments)	5	16	6	3	5
Net change in defined benefit plans	- 39	- 12	- 41	- 98	1
Net change in own credit risk	5	- 1	1	- 13	1
Net change in respect of associated companies and joint ventures	- 2	0	0	- 2	0
TOTAL COMPREHENSIVE INCOME	552	2 349	682	506	712
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	552	2 349	682	506	711

The largest movements in other comprehensive income (9M 2020 vs. 9M 2019):

- Net change in revaluation reserve (FVOCI debt instruments): the +90 million euros in 9M 2020 is mainly explained by lower interest rates. Note that 9M 2020 includes compensating effects in 1Q versus 2Q and 3Q 2020: the -182 million euros in 1Q 2020 was negatively impacted by higher credit spreads, while the +192 million euros and +80 million euros in respectively 2Q 2020 and 3Q 2020 was characterized by lower interest rates and credit spreads. In 9M 2019, the revaluation reserve (FV OCI debt instruments) increased by 658 million euros, positively impacted by lower interest rates. This also largely explains the negative net change in the hedging reserve (cashflow hedge) of -173 million euros in 9M 2019.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -81 million euros in 9M 2020 can be explained by negative fair value movements, partly offset by transfers to net result (impairments partly offset by gains on disposal). In 9M 2019, the +150 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 (-440 million euros) in 9M 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 (+99 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 -39 million euros in 9M 2020 includes compensating effects in 1Q versus 2Q and 3Q 2020. The +100 million euros in 1Q 2020 is explained by the mortality risk of the KBC pension fund being fully reinsured as of 2020, while the higher discount rate is offset by a negative return on plan assets. In 2Q and 3Q 2020, the net change in defined benefit plans (respectively -98 million euros and -41 million euros) is mainly related to the lower interest rates, which is only partly offset by the positive return on the plan assets.

Consolidated balance sheet

(in millions of EUR)	Note	30-09-2020	31-12-2019
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		28 227	8 356
Financial assets	4.0	283 008	273 399
Amortised cost	*4.0*	*238 147*	*230 639*
Fair value through OCI	*4.0*	*18 603*	*19 037*
Fair value through profit or loss	*4.0*	*26 060*	*23 563*
of which held for trading	*4.0*	*10 922*	*7 266*
Hedging derivatives	*4.0*	*198*	*158*
Reinsurers' share in technical provisions, insurance		132	121
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		1 563	478
Tax assets		1 571	1 396
Current tax assets		*107*	*96*
Deferred tax assets		*1 464*	*1 300*
Non-current assets held for sale and disposal groups		19	29
Investments in associated companies and joint ventures		24	25
Property, equipment and investment property		3 602	3 818
Goodwill and other intangible assets		1 681	1 640
Other assets		1 365	1 474
TOTAL ASSETS		**321 193**	**290 735**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	278 043	248 400
Amortised cost	*4.0*	*255 763*	*224 093*
Fair value through profit or loss	*4.0*	*20 893*	*23 137*
of which held for trading	*4.0*	*6 764*	*6 988*
Hedging derivatives	*4.0*	*1 387*	*1 171*
Technical provisions, before reinsurance		18 613	18 560
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		254	- 122
Tax liabilities		470	478
Current tax liabilities		*65*	*98*
Deferred tax liabilies		*405*	*380*
Provisions for risks and charges		216	227
Other liabilities		2 713	2 827
TOTAL LIABILITIES		300 309	270 371
Total equity	5.10	20 884	20 365
Parent shareholders' equity	5.10	19 384	18 865
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		**321 193**	**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
30-09-2020									
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	902	0	902	0	0	902
Other comprehensive income for the period	0	0	0	3	- 353	- 351	0	0	- 351
Subtotal	0	0	0	905	- 353	552	0	0	552
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 34	0	- 34	0	0	- 34
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	22	- 22	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	893	- 375	519	0	0	519
Balance at the end of the period	1 458	5 498	- 1	12 768	- 339	19 384	1 500	0	20 884
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

(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
30-09-2019									
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**	**1 787**	**0**	**1 787**	0	0	**1 787**
OCI for the period	**0**	**0**	**0**	**- 3**	**565**	**562**	0	0	**562**
Subtotal	**0**	**0**	**0**	**1 783**	**565**	**2 349**	0	0	**2 349**
Dividends	**0**	**0**	**0**	**- 1 457**	**0**	**- 1 457**	0	0	**- 1 457**
Coupon on AT1	**0**	**0**	**0**	**- 37**	**0**	**- 37**	0	0	**- 37**
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**	**287**	**565**	**853**	- 900	0	**- 47**
Balance at the end of the period	**1 457**	**5 482**	**- 2**	**11 188**	**- 39**	**18 086**	1 500	0	**19 585**

30-09-2020

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 as the ECB has extended its recommendation not to pay dividends until January 2021.

30-09-2019

The line 'Dividends' in 9M 2019 includes:

- for 2018 a closing dividend of 2,50 euros per share (a total of 1 040 million euros is deducted from retained earnings in 2Q 2019). The closing dividend was paid on 9 May 2019.
- an interim dividend of 1 euro per share (416 million euros in total), as an advance on the final dividend for 2019, paid on 15 November 2019 (already deducted from retained earnings in 3Q 2019).

The line 'Issue/repurchase of additional Tier-1 instruments included in equity' in 9M 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)	30-09-2020	31-12-2019	30-09-2019
Revaluation reserve (FVOCI debt instruments)	1 081	992	1 250
Revaluation reserve (FVPL equity instruments) - overlay	268	350	309
Revaluation reserve (FVOCI equity instruments)	14	32	38
Hedging reserve (cashflow hedges)	- 1 321	- 1 331	- 1 436
Translation differences	- 531	- 92	- 160
Hedge of net investments in foreign operations	188	89	94
Remeasurement of defined benefit plans	- 39	0	- 131
Own credit risk through OCI	1	- 4	- 5
Total revaluation reserves	**- 339**	**37**	**- 39**

Consolidated cash flow statement

(in millions of EUR)	Note (1)	9M 2020	9M 2019
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	1 157	
Adjustments for non-cash items in profit & loss		1 629	
Changes in operating assets (excluding cash and cash equivalents)		- 10 104	
Changes in operating liabilities (excluding cash and cash equivalents)		31 579	
Income taxes paid		- 437	
Net cash from or used in operating activities		23 824	- 5 539
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	- 4 688	
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)		- 228	
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		107	
Other		28	
Net cash from or used in investing activities		- 4 753	169
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Consolidated statement of changes in equity	2	
Issue or repayment of promissory notes and other debt securities	4.1	949	
Proceeds from or repayment of subordinated liabilities	4.1	- 88	
Principal payments under finance lease obligations		0	
Proceeds from the issuance of share capital	Consolidated statement of changes in equity	0	
Issue of additional tier-1 instruments	Consolidated statement of changes in equity	0	
Proceeds from the issuance of preference shares	Consolidated statement of changes in equity	0	
Dividends paid	Consolidated statement of changes in equity	0	
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	- 34	
Net cash from or used in financing activities		829	152

(in millions of EUR)	Note (1)	9M 2020	9M 2019
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		19 900	- 5 218
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		- 1 786	- 127
Cash and cash equivalents at the end of the period		47 231	29 009
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	28 227	7 758
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1 114	426
Reverse repos with credit institutions and investment firms at not more than three months	4.1	23 351	27 017
Deposits from banks repayable on demand	4.1	- 5 460	- 6 192
Cash and cash equivalents belonging to disposal groups		0	0
Total		47 231	29 009
of which not available		*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 9M 2020 (+23 824 million euros) is mainly explained by +19.5 billion euros TLTRO III funding, in combination with the realized result. In 9M 2019, the negative net cash from operating activities (-5 539 million euros) mainly includes the repayment of a part (4 billion euros) of the outstanding TLTRO II in combination with higher term loans and mortgage loans, partly compensated by higher certificates of deposit and the realized result.

Net cash from investing activities in 9M 2020 (-4 753 million euros) is mainly explained by additional investments in debt securities at amortised cost. The net cash from investing activities in 9M 2019 (+169 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) being partly offset by additional investments in debt securities at amortised cost.

The net cash flow from financing activities in 9M 2020 (+829 million euros) mainly includes the issue of Senior Holdco instruments for 1 750 million euros, partly offset by repayments. Matured covered bond position of 1 billion euros in May is fully renewed in June.

In 9M 2019 the net cash flow from financing activities (+152 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),
- the issue of Senior Holdco instruments for 1 500 million euros and
- the issue of Tier-2 instruments for 750 million euros in August 2019, in view of the call in November 2019 of the existing 750 million euros Tier-2 instruments, issued in 2014.

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

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

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

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

- IFRS 17:
  - In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (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 9M 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 27,233 at 30 September 2020;
  - the average rate used for the income statement evolved from 25,704 in 9M 2019 to 26,375 in 9M 2020

- HUF (1 EUR = … currency):
  - exchange rate used for balance sheet depreciated versus EUR from 330,53 at year-end 2019 to 365,53 at 30 September 2020;
  - the average rate used for the income statement evolved from 323,23 in 9M 2019 to 348,91 in 9M 2020

COVID-19 (note 1.4)

Introduction:

The continuing public health crisis around the world has distressed financial markets amid concerns that the global economy, and the EU's economies in particular, 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.

Meanwhile, we have been working hard with government agencies to support all customers impacted by coronavirus, by efficiently implementing various relief measures, including loan deferrals. In our six home countries combined, we have granted a total of 13.7 billion euros in loan payment deferrals by the end of September 2020 (according to the EBA definition) and have also granted 0.6 billion euros' worth of loans under public Covid-19 guarantee schemes (see on the next page, the latest status of the different government and sector measures in each of our core countries).

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

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

Main Corona related items affecting the 9M 2020 results, revaluation reserves, liquidity and solvency:

Items	Impact of the Coronacrisis	See further in note
Net interest income	Net interest income was negatively impacted in 9M 2020 following multiple repo rate cuts of the Czech National Bank and in general lower long term interest rates than expected. This was partly compensated by lower funding costs thanks to ECB's TLTRO programme (TLTRO III), while lending income was supported by higher average volumes.	3.1
Non-life insurance	Exceptionally high technical result in 2Q 2020, supported by a low claims level as a result of the lower economic activity related to the lockdown.	3.7.1
Life insurance	Challenging context for the sale of life insurance products in view of the low interest rates environment.	3.7.1
Financial instruments at fair value through P&L	Financial instruments at fair value through P&L have been negatively affected by the increased volatility in financial markets in 9M 2020, leading to a net result on financial instruments at fair value through profit or loss of -0.05 billion euros in 9M 2020 (-0.4 billion euros in 1Q 2020 due to lower stock markets, widened credit spreads and lower long-term interest rates, largely recovered in 2Q 2020 and 3Q 2020).	3.3
Net fee and commission income	Net fee and commission income was negatively impacted by the coronavirus pandemic for asset management related fees (lower entry fees due to decreased sales and margins; lower management fees due to a lower average level of assets under management in combination with lower margins). Moreover, fees related to banking services also went down (payment services fees, for instance lower activity level due to the lockdowns). Securities fees on the other hand performed substantially better as transaction volumes typically rise in a more volatile environment.	3.5
Operating expenses	Significant opex reduction thanks to the various saving measures (which amongst others have resulted in lower provisions for variable remuneration and less FTEs) and lower marketing, travel, facility and event expenses (directly related to a lower activity level due to the lockdowns).	
Impairment on financial assets at AC and at FVOCI	Strong increase of collective ECL impairments; see separate section below.	3.10 en 4.2
Impairments on 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.	
Deferred taxes	We have investigated whether it is probable that taxable profit will be available against which the deductible temporary differences can be utilised based on projections for a period of eight to ten years. The conclusion of this analysis is that there are sufficient estimated taxable profits available.	
Revaluation reserves	Negative net change in revaluation reserve (FVPL equity instruments – overlay approach) and translation differences.	Consolidated statement of comprehensive income (condensed)
Liquidity	KBC has maintained its strong liquidity position throughout the Coronacrisis, supported by KBC's participation in TLTRO III funding. The Liquidity Coverage Ratio (LCR) of KBC Bank, which gives an idea of the bank's liquidity position in the short term, increased in 9M 2020 and amounted to 142% at the end of September 2020 (compared to 138% at the end of December 2019). The Net Stable Funding Ratio (NSFR) of KBC Bank, which gives an idea of the bank's structural liquidity position in the long term, amounted to a high 146% at the end of September 2020 (compared to 136% at the end of December 2019).	
Solvency	Our solvency position remained very strong, with a common equity ratio of 16.6% on a fully loaded basis (compared to 17,1% at the end of 2019). For more information, see part Solvency KBC Group.	
Pending acquisitions	The approval process for the acquisition of OTP Banka Slovensko is still ongoing.	

Details related to the impact of the Coronacrisis on the loan impairments in 9M 2020

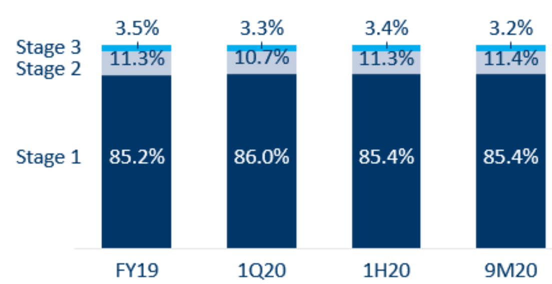
As disclosed during previous quarters, our Expected Credit Loss (ECL) models were not able to adequately reflect all the specificities of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore,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

Until now, only minor PD shifts have been observed in our portfolio, which is reflected in stable staging percentages (for further information, see note 4.2.1).
Note that in line with ECB/ESMA/EBA guidance, any general government measure granted before the end of September 2020 has not led to automatic staging.

Loan portfolio

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

Total loan portfolio by IFRS 9 ECL stage

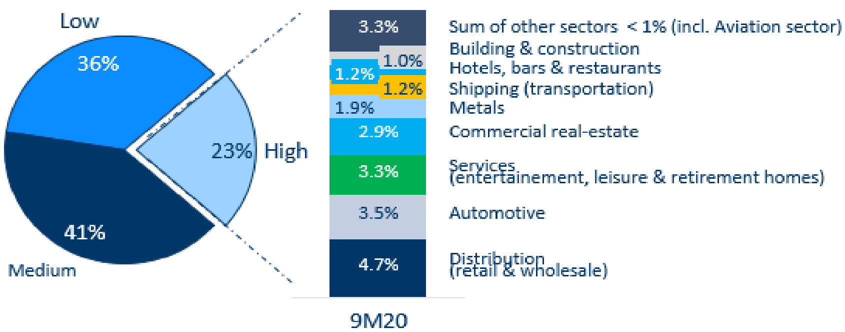


For the 30 September performing portfolio, the following 3-step approach was applied to estimate the additional Covid-19 impact:

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

   Compared to the previous quarter, the sector split between high-medium-low risk did not undergo major changes. There were only some minor reallocations of underlying activities from 'high' to 'medium' or even to 'low' risk. Similarly, there were only very limited shifts from 'medium' to 'high' risk, situated mainly in the following sectors:
   - Distribution: A minor share of activities related to the wholesale distribution of apparel was moved into the 'high risk' category, adding to the already designated retail part (mainly retail fashion).
   - Services: The increase of the high risk share compared to the previous quarter was driven by the retirement homes, mainly concentrated in the Belgian portfolio.
   - Metals: The activity related to the manufacture of metal structures, linked to the construction of non-residential buildings, was shifted into the 'high risk' category.
   - Building & construction: In the previous quarter, the entire portfolio was allocated to 'medium risk' due to the limited lockdown interruption as this was one of the first sectors to restart. In addition, the temporary unemployment cover provided by the Belgian government tempered the impact. Now, in the third quarter, a limited share of activities related to the construction of non-residential buildings was shifted into the 'high risk' category.

SME & Corporate loan portfolio* of 104bn EUR broken down by sector sensitivity to Covid-19 :



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

3) Finally, a probability-weighted management overlay was calculated based on KBC's base-case, optimistic and pessimistic scenarios and attributed weights. An expert-based scaling factor was applied on the estimated sector-driven Covid-19 base-case ECL from the previous step to determine the collective Covid-19 impact under an optimistic and pessimistic scenario. The final overlay was then determined by weighting the resulting Covid-19 ECL under the three scenarios with the following weights: 45% for the base-case, 15% for the optimistic and 40% for the pessimistic scenario.

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

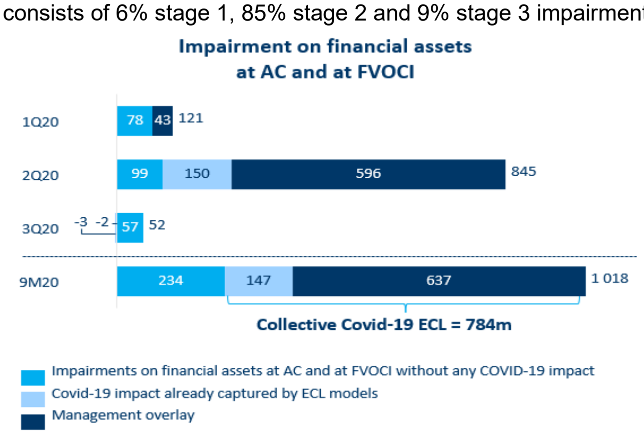
COVID-19 ECL sector driven – per scenario:

KBC Group EUR m	Performing portfolio *High risk sectors 150%*	*Medium risk sectors 100%*	*Low risk sectors 50%*	*Mortgages & other retail*	TOTAL
9M20					
Base-case scenario	**225**	**204**	**61**	**131**	**621**
Optimistic scenario	173	156	47	95	471
Pessimistic scenario	305	282	80	241	908

COVID-19 ECL per country – per scenario:

9M20 *Eur m*	Performing portfolio impact *Optimistic 15%*	*Base 45%*	*Pessimistic 40%*	Probability weigthed	Non-performing portfolio	Total 9M20	3Q20	2Q20	1Q20
KBC Group	**471**	**621**	**908**	**714**	**70**	**784**	**-5**	**746**	**43**
By Country:									
Belgium	300	366	450	390	20	410	-3	378	35
Czech Republic	95	143	198	158	9	167	9	152	6
Slovakia	23	30	50	37	0	37	-3	39	1
Hungary	24	38	82	54	0	54	-1	54	1
Bulgaria	7	16	25	18	5	23	-5	28	n/a
Ireland	22	28	103	57	36	93	-2	95	n/a

The 3-step stress approach applied to the performing portfolio and the additional impact assessment of the non-performing portfolio resulted in a total 9M20 collective Covid-19 ECL of 784 million euros, implying a small P&L release of 5 million euros in 3Q20 compared to the 789 million euros P&L charge of 1H20. The total collective Covid-19 ECL of 784 million euros in 9M20 consists of 6% stage 1, 85% stage 2 and 9% stage 3 impairments.



After 9M, the ECL models captured an impact of 147 million euros through the updated macroeconomic variables used in the calculation (31% in stage 1, 33% in stage 2 and 36% in stage 3), resulting in a q-o-q release of 3 million euros . The total Covid-19 management overlay in the books per 30-09-2020 amounts to 637 million euros, of which 43 million euros was accounted for in 1Q 2020, 596 million euros in 2Q 2020, with a small release of 2 million euros booked in 3Q20. Similar to 1H20, the management overlay is fully presented as stage 2, with the exception of the management overlay on the existing non-performing portfolio.

Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to 0.61%% in 9M20.

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

*Collective Covid-19 ECL, not annualized

Economic scenarios

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

OPTIMISTIC SCENARIO	**BASE SCENARIO**	PESSIMISTIC SCENARIO
Virus spread and impact sufficiently under control thanks to continued social distancing and other precautionary measures, avoiding the need for another lockdown period	Virus spread and impact sufficiently under control thanks to continued and possibly intensified social distancing and other precautionary measures, avoiding the need for another full lockdown period	Virus reappears and continues to weigh on society and economy, necessitating on-off lockdown periods that have a significant impact on economic activity
Steep and steady recovery from 3Q20 onwards with a fast return to pre-Covid-19 levels of activity	More moderate, but still steady recovery from 3Q20 onwards with a recovery to pre-Covid-19 activity levels by end 2023	Another (series of) shock(s) takes place, leading to an interrupted and unsteady path to recovery
Sharp, short V-pattern	U-pattern	More L-like pattern, with right leg only slowly increasing

The Covid-19 pandemic continues to be the main driver of the global economy. The epidemiological developments are far from good. The number of new Covid-19 cases are rapidly increasing in many countries. Because of this uncertainty, we continue to work with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario. The definition of each scenario reflects the latest virus-related and economic developments, while we continue to assign the same probabilities as in previous quarter: 45% for the base-case, 40% for the pessimistic and 15% for the optimistic scenario.

The following table (in line with the KBC forecast of September 2020) gives these three scenarios for three key indicators (GDP growth, unemployment rate and house price index) for each of our core countries for the next three years*. After that, a gradual linear transition towards a steady state is taken into account. Compared to June 2020, we have revised up euro area GDP growth for 2020 to -8.3% and, mechanically, this less negative outcome for 2020 translates into a downward revision of growth to 5.2% for 2021.

Macroeconomic base scenario – key indicators (September 2020)	2020			2021			2022		
Scenario	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Real GDP growth									
Euro area	-6.7%	-8.3%	-11.6%	8.7%	5.2%	-1.0%	2.9%	2.0%	2.2%
Belgium	-6.1%	-9.0%	-11.1%	9.1%	5.1%	-1.1%	2.9%	2.0%	2.0%
Czech Republic	-6.1%	-7.0%	-8.5%	6.2%	4.7%	1.3%	2.8%	3.0%	3.3%
Hungary	-3.0%	-6.2%	-12.0%	4.0%	5.0%	4.0%	3.5%	3.5%	3.5%
Slovakia	-6.5%	-8.0%	-9.5%	6.6%	6.1%	1.6%	4.5%	3.5%	3.8%
Bulgaria	-4.0%	-8.0%	-12.0%	4.0%	5.0%	4.0%	3.0%	3.0%	3.0%
Ireland	0.0%	-5.0%	-10.0%	5.0%	4.0%	1.0%	3.0%	3.5%	2.5%
Unemployment rate									
Belgium	6.6%	7.2%	7.8%	7.0%	7.6%	11.0%	6.0%	6.9%	9.5%
Czech Republic	4.3%	5.1%	6.1%	4.2%	5.4%	7.3%	3.5%	4.8%	6.8%
Hungary	4.8%	6.1%	7.5%	4.2%	5.6%	7.5%	4.0%	4.8%	6.5%
Slovakia	7.5%	9.0%	10.0%	8.0%	10.0%	12.0%	7.0%	8.0%	10.5%
Bulgaria	6.0%	8.0%	11.0%	4.3%	10.0%	13.0%	4.2%	7.0%	12.0%
Ireland	8.0%	11.0%	20.0%	6.0%	7.0%	16.0%	5.0%	6.0%	12.0%
House price index									
Belgium	1.5%	-0.5%	-1.5%	1.0%	-3.0%	-6.0%	2.5%	1.0%	-2.0%
Czech Republic	5.3%	4.8%	3.5%	1.0%	-0.8%	-4.0%	4.1%	2.0%	-0.8%
Hungary	4.0%	2.0%	-7.5%	1.0%	-1.0%	-5.0%	3.1%	2.0%	-1.0%
Slovakia	6.5%	5.0%	2.0%	1.0%	-1.0%	-5.0%	3.0%	2.0%	-0.5%
Bulgaria	0.5%	-2.0%	-3.0%	1.0%	-1.0%	1.0%	3.0%	3.0%	1.5%
Ireland	-2.0%	-7.0%	-12.0%	4.0%	3.5%	0%	4.0%	3.5%	1.0%

*The macroeconomic information is based on the economic situation in September 2020 (and include KBC's view on the Brexit outcome) and hence does not yet reflect the official macroeconomic figures for 3Q20 as reported by different authorities.

Notes on segment reporting

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

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

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
9M 2020									
Net interest income	1 948	807	665	*194*	*151*	*108*	*212*	- 20	**3 400**
Non-life insurance (before reinsurance)	435	105	119	*43*	*23*	*53*	*0*	14	**673**
Earned premiums	851	225	242	*109*	*39*	*94*	*0*	10	**1 327**
Technical charges	- 415	- 120	- 123	*- 66*	*- 16*	*- 41*	*0*	5	**- 654**
Life insurance (before reinsurance)	- 53	38	22	*1*	*9*	*11*	*0*	0	**6**
Earned premiums	615	147	79	*26*	*26*	*27*	*0*	0	**841**
Technical charges	- 668	- 109	- 57	*- 25*	*- 17*	*- 16*	*0*	0	**- 834**
Ceded reinsurance result	- 22	- 1	- 7	*- 2*	*- 2*	*- 3*	*0*	0	**- 30**
Dividend income	37	1	0	*0*	*0*	*0*	*0*	3	**41**
Net result from financial instruments at fair value through profit or loss	- 1	- 19	27	*24*	*5*	*0*	*- 3*	- 54	**- 47**
Net realised result from debt instruments at fair value through OCI	1	0	2	*1*	*1*	*0*	*0*	0	**4**
Net fee and commission income	850	157	203	*141*	*44*	*20*	*- 2*	- 4	**1 207**
Net other income	116	15	7	*3*	*7*	*2*	*- 6*	1	**139**
TOTAL INCOME	3 311	1 103	1 039	*406*	*238*	*192*	*201*	- 59	**5 394**
Operating expenses	- 1 868	- 564	- 663	*- 244*	*- 156*	*- 106*	*- 157*	- 72	**- 3 168**
Impairment	- 629	- 203	- 236	*- 68*	*- 43*	*- 30*	*- 95*	7	**- 1 060**
of which on FA at amortised cost and at fair value through OCI	- 615	- 193	- 216	*- 51*	*- 43*	*- 28*	*- 95*	7	**- 1 018**
Share in results of associated companies and joint ventures	- 8	- 1	0	*0*	*0*	*0*	*0*	0	**- 9**
RESULT BEFORE TAX	807	335	140	*94*	*39*	*56*	*- 51*	- 124	**1 157**
Income tax expense	- 202	- 54	- 27	*- 18*	*- 9*	*- 6*	*6*	28	**- 255**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	605	281	113	*76*	*30*	*50*	*- 45*	- 97	**902**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	605	281	113	*76*	*30*	*50*	*- 45*	- 97	**902**
9M 2019									
Net interest income	1 882	939	644	*190*	*153*	*105*	*196*	- 29	**3 436**
Non-life insurance (before reinsurance)	334	85	102	*34*	*21*	*47*	*0*	6	**527**
Earned premiums	829	208	235	*109*	*35*	*92*	*0*	8	**1 280**
Technical charges	- 496	- 123	- 133	*- 75*	*- 14*	*- 44*	*0*	- 2	**- 753**
Life insurance (before reinsurance)	- 74	42	25	*6*	*8*	*11*	*0*	0	**- 7**
Earned premiums	718	170	71	*12*	*31*	*28*	*0*	0	**959**
Technical charges	- 792	- 128	- 46	*- 7*	*- 23*	*- 17*	*0*	0	**- 966**
Ceded reinsurance result	7	- 5	- 8	*- 2*	*- 1*	*- 5*	*0*	- 9	**- 14**
Dividend income	63	1	0	*0*	*0*	*0*	*0*	2	**65**
Net result from financial instruments at fair value through profit or loss	88	- 93	25	*24*	*- 7*	*11*	*- 3*	31	**51**
Net realised result from debt instruments at fair value through OCI	5	0	2	*1*	*1*	*0*	*0*	0	**7**
Net fee and commission income	875	195	222	*158*	*48*	*18*	*- 2*	- 3	**1 289**
Net other income	146	99	- 15	*1*	*5*	*0*	*- 22*	5	**234**
TOTAL INCOME	3 326	1 263	997	*412*	*229*	*189*	*168*	2	**5 588**
Operating expenses	- 1 935	- 570	- 685	*- 267*	*- 158*	*- 106*	*- 154*	- 69	**- 3 258**
Impairment	- 136	- 14	- 5	*2*	*- 16*	*- 9*	*18*	21	**- 134**
of which on FA at amortised cost and at fair value through OCI	- 134	- 11	- 4	*3*	*- 16*	*- 8*	*18*	21	**- 128**
Share in results of associated companies and joint ventures	- 4	9	4	*0*	*0*	*0*	*0*	0	**8**
RESULT BEFORE TAX	1 251	687	311	*147*	*54*	*73*	*33*	- 46	**2 204**
Income tax expense	- 319	- 103	- 51	*- 24*	*- 13*	*- 8*	*- 7*	56	**- 417**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	932	584	260	*124*	*41*	*66*	*27*	10	**1 787**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	932	584	260	*124*	*41*	*66*	*27*	10	**1 787**

Other notes

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

(in millions of EUR)	9M 2020	9M 2019	3Q 2020	2Q 2020	3Q 2019
Total	3 400	3 436	1 122	1 083	1 174
Interest income	4 800	5 435	1 468	1 497	1 806
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	3 739	4 147	1 171	1 181	1 404
Financial assets at FVOCI	248	249	85	80	84
Hedging derivatives	285	379	49	101	132
Financial liabilities (negative interest)	136	37	81	34	13
Other	6	11	0	3	0
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	8	5	3	3	2
Financial assets held for trading	378	606	78	95	171
Of which economic hedges	*344*	*586*	*65*	*82*	*165*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-1 400	-1 999	- 346	- 415	- 632
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 580	- 965	- 125	- 171	- 294
Financial assets (negative interest)	- 44	- 60	- 26	- 8	- 12
Hedging derivatives	- 467	- 498	- 132	- 158	- 167
Other	- 5	- 4	- 3	- 1	- 2
Interest expense on other financial instruments					
Financial liabilities held for trading	- 279	- 436	- 57	- 67	- 145
Of which economic hedges	*- 255*	*- 408*	*- 50*	*- 60*	*- 134*
Other financial liabilities at FVPL	- 22	- 30	- 3	- 9	- 10
Net interest expense relating to defined benefit plans	- 2	- 6	- 1	- 1	- 2

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

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

(in millions of EUR)	9M 2020	9M 2019	3Q 2020	2Q 2020	3Q 2019
Total	- 47	51	85	253	- 46
Breakdown by driver					
Market value adjustments (xVA)	- 32	- 48	55	100	- 37
MTM ALM derivatives	- 65	- 11	- 2	- 3	- 1
Financial instruments to which the overlay is applied	- 37	65	13	31	17
Dealing room and other	87	45	19	126	- 25

The result from financial instruments at fair value through profit or loss in 3Q 2020 is 168 million euros lower compared to 2Q 2020. The quarter-on-quarter decrease is due to:

- Low dealing room income in 3Q 2020 compared to excellent dealing room income in 2Q 2020
- Lower market value adjustments in 3Q 2020 compared to 2Q 2020, but still positive mainly as a result of decreasing counterparty credit spreads and KBC funding spread, partly offset by lower long-term interest rates
- Lower net result on equity instruments (insurance) compared to 2Q 2020, driven by lower realized gains on shares, related to less favorable stock market evolution

The result from financial instruments at fair value through profit or loss in 9M 2020 is 98 million euros lower compared to 9M 2019. This decrease is due to:

- Much lower net result on equity instruments (insurance) compared to 9M 2019, driven by high impairments related to a less favorable stock market evolution in 9M 2020 (specifically in 1Q 2020)
- Very negative MTM ALM derivatives in 9M 2020 compared to slightly negative MTM ALM derivatives in 9M 2019
- Higher dealing room income in 9M 2020 compared to 9M 2019, mainly in the Czech Republic
- Less negative market value adjustments in 9M 2020 compared to 9M 2019, mainly as a result of changes in the underlying market value of the derivatives portfolio

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

(in millions of EUR)	9M 2020	9M 2019	3Q 2020	2Q 2020	3Q 2019
Total	1 207	1 289	390	388	444
Fee and commission income	1 763	1 833	575	559	629
Fee and commission expense	- 556	- 543	- 184	- 172	- 185
Breakdown by type					
Asset Management Services	752	809	245	237	275
Fee and commission income	795	850	260	250	288
Fee and commission expense	- 43	- 41	- 15	- 13	- 13
Banking Services	666	686	218	219	237
Fee and commission income	909	935	300	291	326
Fee and commission expense	- 243	- 249	- 81	- 72	- 89
Distribution	- 211	- 207	- 73	- 68	- 68
Fee and commission income	58	47	15	19	15
Fee and commission expense	- 269	- 254	- 88	- 86	- 83

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

(in millions of EUR)	9M 2020	9M 2019	3Q 2020	2Q 2020	3Q 2019
Total	139	234	37	53	43
of which gains or losses on					
Sale of financial assets measured at amortised cost	10	11	1	2	7
Repurchase of financial liabilities measured at amortised cost	0	9	0	0	9
of which other, including:	129	215	36	51	27
Income from (mainly operational) leasing activities, KBC Lease Group	58	56	20	20	16
Income from VAB Group	37	33	12	13	11
One-off effect revaluation of 55% share in CMSS	0	82	0	0	0
Settlement of legacy legal cases	0	9	0	0	3
Provisioning for tracker mortgage review	- 6	- 22	- 6	0	- 18

Note :

In 9M 2020

- Provision for tracker mortgage review in KBC Bank Ireland of -6 million euros in 3Q 2020 (of which an additional -4 million euro related to the fine).

In 9M 2019

- 82 million euros one-off gain in Czech Republic as a result of the revaluation of KBC's 55% stake in ČMSS related to the acquisition in 2Q 2019 of the remaining 45% stake
- Provision for tracker mortgage review in KBC Bank Ireland of -18 million euros in 3Q 2019 included the recognition of a provision for a potential fine of -14 million euros
- Settlement of legacy legal cases concerns Czech Republic (+6 million euros) and Group Centre (+3 million euros)

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

(in millions of EUR)	Life	Non-life	Non-technical account	Total
9M 2020				
Earned premiums, insurance (before reinsurance)	841	1 341	-	2 181
of which change in provision unearned premiums	0	- 118		- 117
Technical charges, insurance (before reinsurance)	- 834	- 655	-	- 1 489
Claims paid	- 867	- 597	-	- 1 464
Changes in technical provisions	47	- 14	-	32
Other technical result	- 13	- 44	-	- 57
Net fee and commission income	- 7	- 257	-	- 264
Ceded reinsurance result	- 1	- 28	-	- 30
General administrative expenses	- 111	- 185	- 2	- 298
Internal claims settlement expenses	- 6	- 45	-	- 50
Indirect acquisition costs	- 24	- 54	-	- 78
Administrative expenses	- 81	- 87	-	- 168
Investment management fees	0	0	- 2	- 2
Technical result	- 113	215	- 2	100
Investment Income (*)	250	74	18	343
Technical-financial result	138	289	16	443
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	138	289	16	443
Income tax expense	-	-	-	- 110
RESULT AFTER TAX	-	-	-	333
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**333**
9M 2019				
Earned premiums, insurance (before reinsurance)	959	1 295	-	2 254
of which change in provision unearned premiums	1	- 134		- 133
Technical charges, insurance (before reinsurance)	- 966	- 754	-	- 1 720
Claims paid	- 858	- 635	-	- 1 493
Changes in technical provisions	- 154	- 74	-	- 228
Other technical result	46	- 46	-	0
Net fee and commission income	- 21	- 247	-	- 268
Ceded reinsurance result	- 2	- 12	-	- 14
General administrative expenses	- 115	- 189	- 2	- 307
Internal claims settlement expenses	- 7	- 45	-	- 52
Indirect acquisition costs	- 24	- 54	-	- 78
Administrative expenses	- 85	- 90	-	- 175
Investment management fees	0	0	- 2	- 2
Technical result	- 144	92	- 2	- 55
Investment Income (*)	374	68	18	460
Technical-financial result	230	160	16	405
Share in results of associated companies and joint ventures	–	–	3	3
RESULT BEFORE TAX	230	160	19	409
Income tax expense	–	–	–	- 89
RESULT AFTER TAX	–	–	–	320
attributable to minority interest	–	–	–	0
attributable to equity holders of the parent	–	–	–	**320**

(*)9M 2020 consists of (in millions of EUR): Net interest income (347), Net Dividend income (25), Net result from financial instruments at fair value through profit and loss (-27), Net realised result from debt instruments at fair value through OCI (1), Net other income (6) and Impairment (-10).

9M 2019 consists of (in millions of EUR): Net interest income (347), Net Dividend income (40), Net result from financial instruments at fair value through profit and loss (75), Net realized result from debt instruments at fair value through OCI (1), Net other income (-2) and Impairment (-1). 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 9M 2020 the technical result non-life was positively impacted by low claim level largely as a result of the lockdown in 2Q 2020, partially offset by storms in mainly Belgium for a total amount of -37 million euros (pre-tax, before reinsurance).

In 9M 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 9M 2019 after reinsurance amounts to -50 million euros. No material storm impact in 3Q 2019.
- Large fire claims in 9M 2019 in Belgium of -37 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 3Q 2020 include 21 million euros related to bank (and insurance) levies (27 million euros in 2Q 2020; 28 million euros in 3Q 2019; 454 million euros in 9M 2020; 440 million euros in 9M 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)	9M 2020	9M 2019	3Q 2020	2Q 2020	3Q 2019
Total	**- 1 060**	**- 134**	**- 63**	**- 857**	**- 26**
Impairment on financial assets at AC and at FVOCI	- 1 018	- 128	- 52	- 845	- 25
Of which impairment on financial assets at AC	- 1 013	- 129	- 51	- 842	- 26
By product					
Loans and advances	- 997	- 114	- 49	- 837	- 19
Debt securities	0	0	- 1	0	0
Off-balance-sheet commitments and financial guarantees	- 16	- 14	- 1	- 5	- 7
By type					
Stage 1 (12-month ECL)	- 64	- 25	- 4	- 52	- 8
Stage 2 (lifetime ECL)	- 701	11	- 38	- 618	14
Stage 3 (non-performing; lifetime ECL)	- 246	- 120	- 11	- 171	- 32
Purchased or originated credit impaired assets	- 1	5	2	- 2	0
Of which impairment on financial assets at FVOCI	- 5	1	- 1	- 3	1
Debt securities	- 5	1	- 1	- 3	1
Stage 1 (12-month ECL)	- 3	0	- 1	- 1	1
Stage 2 (lifetime ECL)	- 2	1	1	- 2	1
Stage 3 (non-performing; lifetime ECL)	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 42	- 6	- 11	- 12	- 1
Intangible fixed assets (other than goodwill)	- 5	- 3	- 3	- 2	0
Property, plant and equipment (including investment property)	- 5	- 1	- 4	0	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 33	- 2	- 4	- 9	- 1

The impairments on financial assets at AC in 9M 2020 include -784 million euros collective Covid-19 ECL (of which -43 million euros in 1Q 2020, -746 million euros in 2Q 2020 and +5 million euros in 3Q 2020). For more information, see note 1.4 of this report.

The stage 3 impairments in 9M 2020 and 9M 2019 are attributable mainly to loan loss impairments in Belgium and Czech Republic due to a number of corporate files.

The impairment on other (Other -33 million euros) include -27 million euros in 9M 2020 (respectively -18 and -9 million euros in 1Q and 2Q 2020) related to modification losses in Belgium, Czech Republic and Hungary. Additionally, 3Q 2020 included the result of an impairment on a lease contract related to a headquarter building in Hungary for -4 million euros.

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

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO	Hedging deriva-tives	Total
FINANCIAL ASSETS, 30-09-2020								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 031	0	0	0	1	0	0	**6 031**
of which repayable on demand and term loans at not more than three months								***1 114***
Loans and advances to customers (excl. reverse repos)	157 443	0	330	0	0	0	0	**157 773**
Trade receivables	1 565	0	0	0	0	0	0	**1 565**
Consumer credit	5 252	0	220	0	0	0	0	**5 473**
Mortgage loans	68 951	0	102	0	0	0	0	**69 053**
Term loans	69 689	0	8	0	0	0	0	**69 697**
Finance lease	5 725	0	0	0	0	0	0	**5 725**
Current account advances	4 673	0	0	0	0	0	0	**4 673**
Other	1 587	0	0	0	0	0	0	**1 587**
Reverse repos	26 144	0	0	0	285	0	0	**26 429**
with credit institutions and investment firms	24 921	0	0	0	285	0	0	**25 206**
with customers	1 223	0	0	0	0	0	0	**1 223**
Equity instruments	0	279	7	1 167	438	0	0	**1 891**
Investment contracts (insurance)	0	0	13 581	0	0	0	0	**13 581**
Debt securities issued by	47 093	18 324	53	0	3 950	0	0	**69 419**
Public bodies	40 812	12 349	0	0	3 865	0	0	**57 026**
Credit institutions and investment firms	3 773	2 639	0	0	18	0	0	**6 430**
Corporates	2 507	3 335	53	0	68	0	0	**5 963**
Derivatives	0	0	0	0	6 246	0	198	**6 443**
Other	1 437	0	0	0	4	0	0	**1 440**
Total	238 147	18 603	13 971	1 167	10 922	0	198	**283 008**
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, 30-09-2020					
Deposits from credit institutions and investment firms (excl. repos)	36 204	0	0	0	**36 204**
of which repayable on demand					**5 460**
Deposits from customers and debt securities (excl. repos)	209 879	146	1 647	0	**211 672**
Demand deposits	96 603	0	0	0	**96 603**
Time deposits	13 177	30	152	0	**13 359**
Savings accounts	72 293	0	0	0	**72 293**
Special deposits	2 599	0	0	0	**2 599**
Other deposits	328	0	0	0	**328**
Certificates of deposit	6 627	0	7	0	**6 635**
Savings certificates	546	0	0	0	**546**
Non-convertible bonds	15 467	116	1 341	0	**16 924**
Non-convertible subordinated liabilities	2 238	0	147	0	**2 385**
Repos	6 678	20	0	0	**6 698**
with credit institutions and investment firms	5 513	19	0	0	**5 532**
with customers	1 165	1	0	0	**1 166**
Liabilities under investment contracts	0	0	12 482	0	**12 482**
Derivatives	0	5 181	0	1 387	**6 568**
Short positions	0	1 418	0	0	**1 418**
In equity instruments	0	11	0	0	**11**
In debt securities	0	1 406	0	0	**1 406**
Other	3 001	0	0	0	**3 001**
Total	255 763	6 764	14 129	1 387	**278 043**
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)	30-09-2020			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 (*)	193 207	- 3 589	189 618	189 446	- 2 855	186 592
Stage 1 (12-month ECL)	169 002	- 179	168 823	165 326	- 131	165 195
Stage 2 (lifetime ECL)	19 011	- 942	18 069	18 558	- 254	18 304
Stage 3 (lifetime ECL)	5 049	- 2 449	2 600	5 381	- 2 444	2 937
Purchased or originated credit impaired assets (POCI)	146	- 20	126	182	- 26	155
Debt Securities	47 105	- 12	47 093	43 010	- 12	42 998
Stage 1 (12-month ECL)	47 068	- 6	47 062	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	18 333	- 9	18 324	18 793	- 5	18 788
Stage 1 (12-month ECL)	18 221	- 7	18 214	18 771	- 4	18 767
Stage 2 (lifetime ECL)	112	- 3	110	22	- 1	22
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

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

The table does not include the stage transfers embedded underlying in the management overlay of the forecasted collective Covid-19 ECL, as these are determined based on a collective statistical approach and hence cannot be individually linked to specific credits. Taking into account the impact of the management overlay on staging would result in a carrying value before impairment of loans and advances of approximately respectively 161, 26 and 7 billion euros in stage 1, 2 and 3 (or a net staging of approximately 5% of the total portfolio from stage 1 to stage 2 and of 1% from stage 1 & 2 to stage 3). For more information see note 1.4 in this report.

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

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

(in millions of EUR)				30-09-2020				31-12-2019
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	14 332	368	437	15 138	15 536	441	320	16 298
Held for trading	2 985	6 890	1 047	10 922	1 685	4 381	1 200	7 266
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	14 469	3 585	548	18 603	14 945	3 630	463	19 037
Hedging derivatives	0	198	0	198	0	158	0	158
Total	31 787	11 041	2 033	44 861	32 166	8 611	1 982	42 759
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 413	4 127	1 224	6 764	1 708	3 259	2 021	6 988
Designated at fair value	12 481	474	1 174	14 129	13 610	657	1 883	16 149
Hedging derivatives	0	1 387	0	1 387	0	1 171	0	1 171
Total	13 894	5 988	2 398	22 280	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 9M 2020, KBC transferred about 61 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 330 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 9M 2020 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets measured at fair value through profit and loss: the fair value of loans and advances increased by 113 million euros, mostly due to new transactions, partially compensated by changes in fair value
- Financial assets held for trading: the fair value of derivatives decreased by 182 million euros, primarily due to instruments that had reached maturity, only partly offset by new transactions. The fair value of debt securities rose by 30 million euros due to new acquisitions
- Financial assets measured at fair value through OCI: the fair value of debt securities increased by 96 million euros, mainly due to new positions and transfers into level 3.
- Financial liabilities held for trading: the fair value of derivatives decreased by 729 million euros, mainly due to a combination of sales of existing positions, instruments that had reached maturity and changes in fair value, partially offset by new transactions. The fair value of debt securities issued also decreased by 67 million euros, primarily due to instruments that reached maturity
- Financial liabilities designated at fair value: the fair value of debt securities issued decreased by 709 million euros, due to a combination of repurchases of existing positions, settlements, and changes in fair value, partially offset by new issues.

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

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

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

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

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

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

Quantities	30-09-2020	31-12-2019
Ordinary shares	**416 394 642**	**416 394 642**
of which ordinary shares that entitle the holder to a dividend payment	*416 394 642*	*416 394 642*
of which treasury shares	*21 575*	*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 9M 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 September 2020) and the publication of this report (12 November 2020): None

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 SEPTEMBER 2020 AND FOR THE NINE-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 September 2020 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the nine-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine-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 321.193 million and a consolidated profit (attributable to equity holders of the parent) for the nine-month period then ended of EUR 902 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, 10 November 2020

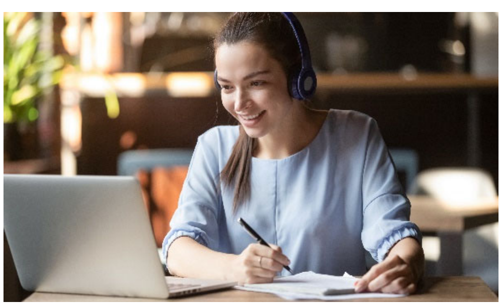
The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 3Q 2020 and 9M 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	30-09-2020	31-12-2019
Total loan portfolio (in billions of EUR) [1]		
Amount outstanding and undrawn	222	218
Amount outstanding	179	175
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)		
Belgium	65.1%	64.1%
Czech Republic	17.2%	18.4%
International Markets	15.8%	15.6%
Group Centre	1.9%	2.0%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)		
Private individuals	41.6%	41.7%
Finance and insurance	8.3%	7.6%
Governments	3.6%	2.9%
Corporates	46.4%	47.7%
Services	10.8%	10.9%
Distribution	6.8%	7.3%
Real estate	6.3%	6.4%
Building & construction	3.9%	3.9%
Agriculture, farming, fishing	2.7%	2.7%
Automotive	2.5%	2.6%
Food producers	1.7%	1.7%
Electricity	1.6%	1.6%
Metals	1.4%	1.4%
Chemicals	1.4%	1.3%
Machinery & heavy equipment	1.0%	1.0%
Hotels, bars & restaurants	0.7%	0.7%
Shipping	0.7%	0.8%
Oil, gas & other fuels	0.5%	0.6%
Electrotechnics	0.5%	0.5%
Traders	0.5%	0.6%
Other [2]	3.3%	3.6%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)		
Home countries	86.5%	86.4%
Belgium	54.1%	52.9%
Czech Republic	16.3%	17.6%
Ireland	5.8%	5.9%
Slovakia	5.0%	4.9%
Hungary	3.2%	3.1%
Bulgaria	2.1%	2.0%
Rest of Western Europe	8.7%	8.6%
Rest of Central and Eastern Europe	0.3%	0.4%
North America	1.5%	1.5%
Asia	1.4%	1.5%
Other	1.6%	1.6%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)		
Retail	41.6%	41.7%
of which: mortgages	38.5%	38.5%
of which: consumer finance	3.1%	3.2%
SME	21.5%	21.8%
Corporate	36.9%	36.5%

	30-09-2020	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	63.6%	62.7%
of which: PD 5 - 9 including unrated	21.8%	22.6%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	11.4%	11.3%
of which: PD 1 - 4	3.5%	3.4%
of which: PD 5 - 9 including unrated	7.9%	7.9%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	3.2%	3.5%
of which: PD 10 impaired loans	1.3%	1.6%
of which: more than 90 days past due (PD 11+12)	1.8%	1.9%
Impaired loan portfolio (in millions of EUR)		
Impaired loans (PD10 + 11 + 12)	5 702	6 160
of which: more than 90 days past due	3 307	3 401
Impaired loans ratio (%)		
Belgium	2.2%	2.4%
Czech Republic	2.1%	2.3%
International Markets	7.2%	8.5%
Group Centre	12.1%	12.4%
Total	3.2%	3.5%
of which: more than 90 days past due	1.8%	1.9%
Loan loss impairment (in millions of EUR)		
Loan loss Impairment for Stage 1 portfolio	202	144
Loan loss Impairment for Stage 2 portfolio	950	265
Loan loss Impairment for Stage 3 portfolio	2 576	2 584
of which: more than 90 days past due	2 040	2 050
Cover ratio of impaired loans (%)		
Loan loss impairments for stage 3 portfolio / impaired loans	45.2%	42.0%
of which: more than 90 days past due	61.7%	60.3%
Cover ratio of impaired loans, mortgage loans excluded (%)		
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	53.4%	49.7%
of which: more than 90 days past due	71.9%	71.7%
Credit cost ratio (%)		
Belgium	0.59%	0.22%
Czech Republic	0.64%	0.04%
International Markets	0.79%	-0.07%
Slovakia	0.53%	0.14%
Hungary	0.89%	-0.02%
Bulgaria	0.81%	0.14%
Ireland	0.94%	-0.32%
Group Centre	-0.27%	-0.88%
Total	0.61%	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 30-09-2020, in millions of EUR	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**109 248**			**7 262**			**116 510**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	38 351	35,1%		0	0,0%		38 351	32,9%	
o/w mortgages	36 679	33,6%		0	0,0%		36 679	31,5%	
o/w consumer finance	1 672	1,5%		0	0,0%		1 672	1,4%	
SME	31 598	28,9%		0	0,0%		31 598	27,1%	
corporate	39 299	36,0%		7 262	100,0%		46 561	40,0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	36 679	33,6%	57%	0	0,0%	-	36 679	31,5%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	549	0,5%	-	0	0,0%	-	549	0,5%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	85 078	77,9%		4 002	55,1%		89 080	76,5%	
medium risk (PD 5-7; 0.80%-6.40%)	18 883	17,3%		2 929	40,3%		21 811	18,7%	
high risk (PD 8-9; 6.40%-100.00%)	2 600	2,4%		145	2,0%		2 745	2,4%	
impaired loans (PD 10 - 12)	2 420	2,2%		179	2,5%		2 600	2,2%	
unrated	266	0,2%		8	0,1%		274	0,2%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 420	1 080	44,6%	179	126	70,4%	2 600	1 206	46,4%
o/w PD 10 impaired loans	1 149	274	23,8%	89	42	47,3%	1 238	316	25,5%
o/w more than 90 days past due (PD 11+12)	1 271	806	63,4%	90	84	93,2%	1 361	890	65,4%
all impairments (stage 1+2+3)	1 672			163			1 835		
o/w stage 1+2 impairments (incl. POCI)	592			37			629		
o/w stage 3 impairments (incl. POCI)	1 080			126			1 206		
2019 Credit cost ratio (CCR)	0,20%			0,41%			0,22%		
YTD 2020 CCR	0,58%			0,75%			0,59%		

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

30-09-2020, in millions of EUR

Total portfolio outstanding	**30 781**		
Counterparty break down		% outst.	
retail	17 888	58,1%	
o/w mortgages	15 733	51,1%	
o/w consumer finance	2 155	7,0%	
SME	4 636	15,1%	
corporate	8 258	26,8%	
Mortgage loans		% outst.	ind. LTV
total	15 733	51,1%	60%
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	105	0,3%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	17 857	58,0%	
medium risk (PD 5-7; 0.80%-6.40%)	11 060	35,9%	
high risk (PD 8-9; 6.40%-100.00%)	1 198	3,9%	
impaired loans (PD 10 - 12)	654	2,1%	
unrated	13	0,0%	
Overall risk indicators [1]		stage 3 imp.	% cover
outstanding impaired loans	654	322	49,2%
o/w PD 10 impaired loans	317	99	31,3%
o/w more than 90 days past due (PD 11+12)	337	223	66,1%
all impairments (stage 1+2+3)	584		
o/w stage 1+2 impairments (incl. POCI)	262		
o/w stage 3 impairments (incl. POCI)	322		
2019 Credit cost ratio (CCR)	0,04%		
YTD 2020 CCR	0,64%		

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets
30-09-2020, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 181**			**8 598**			**5 694**			**3 749**			**28 221**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
retail	10 118	99,4%		4 546	52,9%		2 082	36,6%		1 478	39,4%		18 223	64,6%	
o/w mortgages	10 053	98,7%		4 053	47,1%		1 591	27,9%		780	20,8%		16 477	58,4%	
o/w consumer finance	65	0,6%		492	5,7%		491	8,6%		698	18,6%		1 746	6,2%	
SME	53	0,5%		990	11,5%		150	2,6%		1 069	28,5%		2 262	8,0%	
corporate	10	0,1%		3 062	35,6%		3 462	60,8%		1 202	32,1%		7 736	27,4%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	10 053	98,7%	67%	4 053	47,1%	65%	1 591	27,9%	54%	780	20,8%	65%	16 477	58,4%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	3	0,1%	84%	81	2,1%	67%	84	0,3%	
o/w ind. LTV > 100%	713	7,0%	-	36	0,4%	-	90	1,6%	-	30	0,8%	-	869	3,1%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	896	8,8%		5 550	64,6%		2 863	50,3%		961	25,6%		10 271	36,4%	
medium risk (PD 5-7; 0.80%-6.40%)	6 946	68,2%		2 284	26,6%		2 497	43,9%		2 189	58,4%		13 916	49,3%	
high risk (PD 8-9; 6.40%-100.00%)	869	8,5%		592	6,9%		222	3,9%		281	7,5%		1 964	7,0%	
impaired loans (PD 10 - 12)	1 469	14,4%		151	1,8%		103	1,8%		318	8,5%		2 040	7,2%	
unrated	0	0,0%		21	0,2%		10	0,2%		0	0,0%		31	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	1 469	402	27,4%	151	95	62,8%	103	58	57,0%	318	137	43,2%	2 040	693	34,0%
o/w PD 10 impaired loans	670	82	12,3%	25	7	29,1%	22	8	36,1%	66	11	16,3%	784	108	13,8%
o/w more than 90 days past due (PD 11+12)	799	320	40,1%	125	87	69,6%	81	50	62,7%	251	126	50,3%	1 256	584	46,5%
all impairments (stage 1+2+3)	479			172			132			167			950		
o/w stage 1+2 impairments (incl. POCI)	76			78			73			30			257		
o/w stage 3 impairments (incl. POCI)	402			95			58			137			693		
2019 Credit cost ratio (CCR)	-0,32%			0,14%			-0,02%			0,14%			-0,07%		
YTD 2020 CCR	0,94%			0,53%			0,89%			0,81%			0,79%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre [1]
30-09-2020, in millions of EUR

Total portfolio outstanding	**3 370**		
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	3 370	100,0%	
Mortgage loans		% outst.	ind. LTV
total	0	0,0%	-
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	0	0,0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 787	82,7%	
medium risk (PD 5-7; 0.80%-6.40%)	132	3,9%	
high risk (PD 8-9; 6.40%-100.00%)	42	1,2%	
impaired loans (PD 10 - 12)	409	12,1%	
unrated	0	0,0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	409	355	86,9%
o/w PD 10 impaired loans	56	12	22,2%
o/w more than 90 days past due (PD 11+12)	353	343	97,2%
all impairments (stage 1+2+3)	359		
o/w stage 1+2 impairments (incl. POCI)	4		
o/w stage 3 impairments (incl. POCI)	355		
2019 Credit cost ratio (CCR)	-0,88%		
YTD 2020 CCR	-0,27%		

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. 89% according to Advanced and approx. 4% 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)	**30-09-2020**		**31-12-2019**	
(consolidated, under CRR/CRD IV, Danish compromise method)	**Fully loaded**	**Actuals**	**Fully loaded**	**Actuals**
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement	1.75%	1.75%	1.75%	1.75%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Entity-specific countercyclical buffer	0.20%	0.16%	0.30%	0.43%
Overall Capital Requirement (OCR)	**10.45%**	**10.41%**	**10.55%**	**10.68%**
CET1 used to satisfy shortfall in AT1 bucket	0.00%	0.00%	0.00%	0.00%
CET1 used to satisfy shortfall in T2 bucket	0.23%	0.23%	0.05%	0.05%
CET1 requirement	**10.69%**	**10.65%**	**10.60%**	**10.74%**
CET1 capital	16 579	16 606	16 989	16 989
CET1 buffer (= buffer to MDA)	5 875	5 939	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) 30-09-2020		**numerator (common equity)**	**denominator (total weighted risk volume)**	**ratio (%)**
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	16 579	100 169	16.55%
Deduction Method	Fully loaded	15 774	95 195	16.57%
Financial Conglomerates Directive	Fully loaded	17 283	111 486	15.50%
Danish Compromise	Transitional	16 606	100 191	16.57%
Deduction Method	Transitional	15 801	95 216	16.60%
Financial Conglomerates Directive	Transitional	17 311	111 507	15.52%

KBC’s CET1 ratio of 16.55% at end 9M 2020 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 10.69%.

Danish Compromise

In millions of EUR	30-09-2020 Fully loaded	30-09-2020 Transitional	31-12-2019 Fully loaded
Total regulatory capital (after profit appropriation)	19 849	19 876	20 414
Tier-1 capital	18 079	18 106	18 489
Common equity	16 579	16 606	16 989
Parent shareholders' equity (after deconsolidating KBC Insurance)	17 553	17 553	17 933
Intangible fixed assets, incl deferred tax impact (-)	- 807	- 807	- 726
Goodwill on consolidation, incl deferred tax impact (-)	- 718	- 718	- 766
Minority interests	0	0	0
Hedging reserve (cash flow hedges) (-)	1 321	1 321	1 331
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 12	- 12	- 9
Value adjustment due to the requirements for prudent valuation (-)	- 26	- 26	- 54
Dividend payout (-)	0	0	0
Coupon of AT1 instruments (-)	- 15	- 15	- 11
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 58	- 58	- 45
IRB provision shortfall (-)	- 214	- 214	- 140
Deferred tax assets on losses carried forward (-)	- 388	- 388	- 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	1 770	1 770	1 925
IRB provision excess (+)	0	0	130
Transitional adjustments to T2			
Subordinated liabilities	1 770	1 770	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	100 169	100 191	99 071
Banking	91 019	91 040	89 838
Insurance	9 133	9 133	9 133
Holding activities	29	29	124
Elimination of intercompany transactions	- 12	- 12	- 25
Solvency ratios			
Common equity ratio	16.55%	16.57%	17.15%
Tier-1 ratio	18.05%	18.07%	18.66%
Total capital ratio	19.82%	19.84%	20.61%

In line with the ECB recommendation we apply the IFRS 9 transitional measures as of 1H 2020. The impact of transitional was limited to 2 basis points at the end of 9M 2020 as there was no interim profit recognition in CET1. At year-end 2020, the impact of the application of the transitional measures is expected to result in a positive impact on CET1 of 56 bps compared to fully loaded.

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III) In millions of EUR	30-09-2020 Fully loaded	30-09-2020 Transitional	31-12-2019 Fully loaded
Tier-1 capital (Danish compromise)	18 079	18 106	18 489
Total exposures	304 188	304 229	273 029
Total Assets	321 193	321 193	290 735
Deconsolidation KBC Insurance	-31 760	-31 760	-33 243
Transitional adjustment	0	41	0
Adjustment for derivatives	-5 225	-5 225	-2 882
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 268	-2 268	-2 254
Adjustment for securities financing transaction exposures	2 247	2 247	638
Off-balance sheet exposures	20 000	20 000	20 035
Leverage ratio	5.94%	5.95%	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)	30-09-2020 Fully loaded	30-09-2020 Transitional	31-12-2019 Fully loaded
Total regulatory capital, after profit appropriation	16 138	16 165	16 660
Tier-1 capital	14 345	14 372	14 704
Of which common equity	*12 845*	*12 872*	*13 204*
Tier-2 capital	1 793	1 793	1 957
Total weighted risks	91 019	91 040	89 838
Credit risk	77 067	77 088	75 786
Market risk	2 611	2 611	2 713
Operational risk	11 340	11 340	11 340
Solvency ratios			
Common equity ratio	14.1%	14.1%	14.7%
Tier-1 ratio	15.8%	15.8%	16.4%
CAD ratio	17.7%	17.8%	18.5%

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-09-2020	31-12-2019
Own Funds	3 214	3 496
Tier 1	2 714	2 996
IFRS Parent shareholders equity	3 578	3 422
Dividend payout	- 307	- 156
Deduction intangible assets and goodwill (after tax)	- 133	- 128
Valuation differences (after tax)	- 578	- 196
Volatility adjustment	173	104
Other	- 19	- 49
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 636	1 727
Market risk	1 214	1 389
Non-life	581	579
Life	709	689
Health	290	264
Counterparty	127	114
Diversification	-1 000	- 991
Other	- 285	- 316
Solvency II ratio	196%	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 September 2020, the MREL ratio based on instruments issued by KBC Group NV following the 'hybrid approach' stands at 9.4% 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 10.0% at the end of March 2020), can be fully explained by the participation in TLTRO III for an amount of 19.5 billion euros in June 2020. Excluding this, the MREL as % of TLOF would have amounted to 10.1% at the end of September 2020.
As of 1H 2020, the MREL ratio as a % of TLOF includes the impact of IFRS 9 transitional measures.

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)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	673	635	640	634	637
Non-life insurance (before reinsurance)	157	167	112	160	129
Earned premiums	287	280	283	285	284
Technical charges	- 130	- 113	- 172	- 125	- 156
Life insurance (before reinsurance)	- 16	- 16	- 21	- 21	- 25
Earned premiums	191	208	216	282	217
Technical charges	- 206	- 224	- 237	- 303	- 242
Ceded reinsurance result	- 3	- 10	- 9	- 10	- 5
Dividend income	10	16	11	15	14
Net result from financial instruments at fair value through profit or loss	67	149	- 217	89	- 9
Net realised result from debt instruments at fair value through OCI	1	1	0	0	4
Net fee and commission income	271	271	308	307	297
Net other income	36	45	35	41	51
TOTAL INCOME	1 197	1 256	858	1 216	1 092
Operating expenses	- 520	- 521	- 828	- 550	- 552
Impairment	- 43	- 469	- 117	- 109	- 21
on financial assets at AC and at FVOCI	- 41	- 458	- 116	- 107	- 21
other	- 2	- 11	0	- 2	0
Share in results of associated companies and joint ventures	- 2	- 3	- 3	- 2	- 2
RESULT BEFORE TAX	633	264	- 90	556	517
Income tax expense	- 147	- 59	4	- 145	- 149
RESULT AFTER TAX	486	204	- 86	412	368
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**486**	**204**	**- 86**	**412**	**368**
Banking	352	68	- 55	301	287
Insurance	134	136	- 30	111	81
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	103 844	103 689	104 969	100 909	100 945
of which Mortgage loans (end of period)	*37 717*	*36 863*	*36 489*	*36 445*	*35 832*
Customer deposits and debt certificates excl. repos (end of period)	137 271	136 928	138 045	130 771	134 355
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	12 944	13 005	13 074	13 130	13 097
Unit-Linked (end of period)	12 576	12 599	12 064	13 426	13 281
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	53 363	52 938	54 098	49 486	49 985
Required capital, insurance (end of period)	1 393	1 358	1 296	1 497	1 572
Allocated capital (end of period)	6 970	6 943	7 003	6 792	6 920
Return on allocated capital (ROAC)	28%	12%	-5%	24%	22%
Cost/income ratio, banking	47%	44%	95%	48%	53%
Combined ratio, non-life insurance	81%	74%	95%	82%	91%
Net interest margin, banking	1.63%	1.63%	1.68%	1.68%	1.68%

Business unit Czech Republic (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	220	235	351	338	329
Non-life insurance (before reinsurance)	36	38	31	30	29
Earned premiums	78	72	75	73	72
Technical charges	- 42	- 35	- 44	- 43	- 43
Life insurance (before reinsurance)	12	12	14	12	13
Earned premiums	50	44	52	58	53
Technical charges	- 38	- 32	- 39	- 45	- 40
Ceded reinsurance result	- 1	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	16	90	- 125	8	- 56
Net realised result from debt instruments at fair value through OCI	0	1	0	0	0
Net fee and commission income	52	51	55	59	70
Net other income	3	3	9	3	2
TOTAL INCOME	337	431	335	451	388
Operating expenses	- 179	- 164	- 221	- 200	- 187
Impairment	- 18	- 175	- 9	- 3	- 9
on financial assets at AC and at FVOCI	- 15	- 170	- 8	- 1	- 9
other	- 3	- 5	- 1	- 1	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	139	91	105	248	192
Income tax expense	- 23	- 14	- 17	- 43	- 33
RESULT AFTER TAX	116	77	88	205	159
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**116**	**77**	**88**	**205**	**159**
Banking	104	61	75	194	147
Insurance	12	16	13	11	12
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	28 106	28 597	28 286	29 857	29 200
of which Mortgage loans (end of period)	*15 384*	*15 418*	*14 876*	*15 768*	*15 267*
Customer deposits and debt certificates excl. repos (end of period)	39 162	39 704	37 627	39 559	38 170
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	622	613	588	629	616
Unit-Linked (end of period)	615	659	655	727	700
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	14 971	15 338	15 349	15 005	14 916
Required capital, insurance (end of period)	131	128	126	121	121
Allocated capital (end of period)	1 696	1 746	1 745	1 726	1 717
Return on allocated capital (ROAC)	27%	18%	20%	48%	38%
Cost/income ratio, banking	54%	38%	68%	44%	48%
Combined ratio, non-life insurance	90%	81%	90%	94%	94%
Net interest margin, banking	2.05%	2.32%	2.98%	2.90%	2.93%

Business unit International Markets (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	227	219	219	219	216
Non-life insurance (before reinsurance)	34	46	40	35	32
Earned premiums	81	78	82	80	80
Technical charges	- 47	- 33	- 43	- 45	- 48
Life insurance (before reinsurance)	4	10	8	11	7
Earned premiums	25	24	29	24	21
Technical charges	- 21	- 15	- 21	- 14	- 14
Ceded reinsurance result	- 1	- 3	- 3	- 1	- 2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	18	14	- 5	23	5
Net realised result from debt instruments at fair value through OCI	0	1	0	0	1
Net fee and commission income	68	67	69	78	77
Net other income	- 4	5	6	4	- 16
TOTAL INCOME	347	359	333	370	321
Operating expenses	- 200	- 196	- 268	- 248	- 212
Impairment	1	- 213	- 24	18	- 6
on financial assets at AC and at FVOCI	6	- 217	- 6	22	- 5
other	- 5	4	- 18	- 4	- 1
Share in results of associated companies and joint ventures	0	0	0	1	1
RESULT BEFORE TAX	148	- 50	42	141	104
Income tax expense	- 24	5	- 7	- 22	- 19
RESULT AFTER TAX	123	- 45	35	119	85
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**123**	**- 45**	**35**	**119**	**85**
Banking	112	- 66	19	107	75
Insurance	11	21	16	12	11
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	25 824	25 277	25 109	25 050	24 718
of which Mortgage loans (end of period)	*15 952*	*15 650*	*15 536*	*15 584*	*15 357*
Customer deposits and debt certificates excl. repos (end of period)	24 789	24 272	23 197	24 041	22 939
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	250	254	254	255	258
Unit-Linked (end of period)	390	397	373	432	414
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	20 791	20 736	21 507	20 892	21 068
Required capital, insurance (end of period)	130	127	123	124	123
Allocated capital (end of period)	2 302	2 315	2 391	2 359	2 377
Return on allocated capital (ROAC)	21%	-8%	6%	20%	14%
Cost/income ratio, banking	58%	57%	84%	68%	67%
Combined ratio, non-life insurance	89%	75%	82%	89%	93%
Net interest margin, banking	2.61%	2.58%	2.61%	2.60%	2.61%

Slovakia (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	52	49	50	51	51
Non-life insurance (before reinsurance)	7	8	7	7	7
Earned premiums	13	13	12	12	12
Technical charges	- 6	- 4	- 5	- 5	- 5
Life insurance (before reinsurance)	3	3	3	4	2
Earned premiums	9	8	9	12	10
Technical charges	- 5	- 5	- 7	- 7	- 7
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	6	7	- 8	10	- 5
Net realised result from debt instruments at fair value through OCI	0	1	0	0	0
Net fee and commission income	15	14	15	16	16
Net other income	1	2	3	4	2
TOTAL INCOME	84	84	70	93	74
Operating expenses	- 46	- 51	- 59	- 53	- 52
Impairment	5	- 41	- 6	6	- 6
on financial assets at AC and at FVOCI	5	- 41	- 6	5	- 6
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	43	- 8	4	46	16
Income tax expense	- 10	2	- 1	- 8	- 4
RESULT AFTER TAX	33	- 6	4	38	12
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**33**	**- 6**	**4**	**38**	**12**
Banking	30	- 9	1	36	10
Insurance	3	3	3	2	2
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	7 857	7 683	7 607	7 506	7 471
of which Mortgage loans (end of period)	*3 992*	*3 846*	*3 714*	*3 641*	*3 593*
Customer deposits and debt certificates excl. repos (end of period)	7 100	6 531	6 287	6 480	6 438
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	114	114	114	114	114
Unit-Linked (end of period)	87	92	89	100	97
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 011	5 104	5 123	4 985	5 030
Required capital, insurance (end of period)	28	27	26	27	28
Allocated capital (end of period)	552	565	567	560	566
Return on allocated capital (ROAC)	24%	-5%	3%	27%	8%
Cost/income ratio, banking	54%	62%	88%	56%	71%
Combined ratio, non-life insurance	87%	79%	82%	94%	84%

Hungary (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	68	64	62	64	64
Non-life insurance (before reinsurance)	12	17	14	14	10
Earned premiums	35	35	39	37	36
Technical charges	- 24	- 17	- 25	- 22	- 26
Life insurance (before reinsurance)	- 2	2	1	2	2
Earned premiums	9	8	9	4	4
Technical charges	- 11	- 6	- 8	- 2	- 2
Ceded reinsurance result	- 1	- 1	- 1	0	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	12	10	2	9	6
Net realised result from debt instruments at fair value through OCI	0	0	0	0	1
Net fee and commission income	46	46	49	56	55
Net other income	0	0	2	0	0
TOTAL INCOME	136	140	130	146	137
Operating expenses	- 74	- 69	- 101	- 87	- 83
Impairment	- 2	- 50	- 16	- 3	- 1
on financial assets at AC and at FVOCI	3	- 55	2	- 2	- 1
other	- 5	6	- 18	- 1	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	59	21	13	57	53
Income tax expense	- 9	- 5	- 4	- 7	- 8
RESULT AFTER TAX	51	16	10	50	45
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**51**	**16**	**10**	**50**	**45**
Banking	46	7	2	44	41
Insurance	4	9	8	6	4
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	4 775	4 617	4 534	4 623	4 522
of which Mortgage loans (end of period)	*1 541*	*1 512*	*1 467*	*1 596*	*1 558*
Customer deposits and debt certificates excl. repos (end of period)	7 983	8 011	7 435	7 953	7 140
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	46	49	48	52	52
Unit-Linked (end of period)	251	258	243	291	280
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 895	6 865	6 555	6 415	6 480
Required capital, insurance (end of period)	45	47	44	48	47
Allocated capital (end of period)	766	772	735	735	740
Return on allocated capital (ROAC)	27%	8%	5%	27%	24%
Cost/income ratio, banking	56%	52%	82%	61%	62%
Combined ratio, non-life insurance	92%	76%	84%	87%	96%

Bulgaria (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	36	36	36	36	36
Non-life insurance (before reinsurance)	15	20	18	13	15
Earned premiums	32	31	31	31	32
Technical charges	-17	-11	-13	-18	-17
Life insurance (before reinsurance)	3	5	4	4	3
Earned premiums	7	9	11	9	8
Technical charges	-4	-4	-7	-4	-5
Ceded reinsurance result	0	-1	-2	0	-2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	0	3	4
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	8	6	6	5	6
Net other income	1	1	0	1	1
TOTAL INCOME	63	67	62	63	63
Operating expenses	-31	-27	-48	-33	-30
Impairment	-2	-25	-3	0	-6
on financial assets at AC and at FVOCI	-2	-23	-3	4	-6
other	0	-1	0	-3	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	30	16	11	31	26
Income tax expense	-3	-2	-1	-3	-3
RESULT AFTER TAX	27	14	10	27	23
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**27**	**14**	**10**	**27**	**23**
Banking	22	4	4	24	20
Insurance	5	9	6	3	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3 413	3 307	3 213	3 161	3 064
of which Mortgage loans (end of period)	*752*	*723*	*703*	*693*	*675*
Customer deposits and debt certificates excl. repos (end of period)	4 802	4 634	4 497	4 439	4 216
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	90	91	92	89	91
Unit-Linked (end of period)	52	47	41	41	37
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 133	3 073	3 770	3 413	3 338
Required capital, insurance (end of period)	57	53	53	49	48
Allocated capital (end of period)	384	377	450	414	405
Return on allocated capital (ROAC)	27%	13%	9%	27%	24%
Cost/income ratio, banking	49%	44%	86%	51%	47%
Combined ratio, non-life insurance	85%	70%	82%	89%	91%

Ireland (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	72	69	71	67	66
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	- 1	- 3	2	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 1	0	- 1	0	0
Net other income	- 6	0	0	- 1	- 18
TOTAL INCOME	64	65	71	67	48
Operating expenses	- 49	- 48	- 60	- 75	- 47
Impairment	0	- 97	2	14	7
on financial assets at AC and at FVOCI	0	- 97	1	14	7
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	15	- 80	13	6	8
Income tax expense	- 2	10	- 2	- 3	- 3
RESULT AFTER TAX	13	- 70	12	2	4
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**13**	**- 70**	**12**	**2**	**4**
Banking	14	- 68	12	2	4
Insurance	- 1	- 1	0	0	0
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	9 779	9 670	9 754	9 760	9 661
of which Mortgage loans (end of period)	*9 666*	*9 569*	*9 651*	*9 654*	*9 531*
Customer deposits and debt certificates excl. repos (end of period)	4 904	5 095	4 978	5 169	5 145
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 750	5 692	6 057	6 077	6 216
Allocated capital (end of period)	601	600	639	650	665
Return on allocated capital (ROAC)	8%	-44%	7%	1%	3%
Cost/income ratio, banking	75%	72%	83%	113%	98%

Group Centre - Breakdown net result (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Operational costs of the Group activities	- 20	- 18	- 15	- 34	- 14
Capital and treasury management	1	- 6	- 11	- 8	- 9
Holding of participations	2	- 1	- 3	- 2	1
Results companies in rundown	- 4	- 1	3	2	12
Other	- 8	0	- 18	9	9
Total net result for the Group centre	- 28	- 26	- 43	- 33	0

Business unit Group Centre (in millions of EUR)	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Breakdown P&L					
Net interest income	2	- 6	- 16	- 9	- 8
Non-life insurance (before reinsurance)	7	5	2	4	2
Earned premiums	3	4	2	2	3
Technical charges	4	1	0	1	- 2
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	- 4	- 1	5	0	- 1
Dividend income	1	1	1	1	0
Net result from financial instruments at fair value through profit or loss	- 16	1	- 39	10	14
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 1	- 1	- 2	0	0
Net other income	1	0	0	- 2	5
TOTAL INCOME	- 9	- 2	- 48	4	12
Operating expenses	- 27	- 24	- 21	- 48	- 23
Impairment	- 2	0	9	11	10
on financial assets at AC and at FVOCI	- 2	0	9	11	10
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 38	- 26	- 60	- 32	- 1
Income tax expense	10	0	18	- 1	1
RESULT AFTER TAX	- 28	- 26	- 43	- 33	0
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 28**	**- 26**	**- 43**	**- 33**	**0**
Banking	- 22	- 21	- 49	- 17	5
Holding	- 6	- 5	3	- 26	- 1
Insurance	0	0	4	10	- 4
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	0	0	0	1	0
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	10 450	9 908	9 426	8 999	9 806
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	1 912	2 209	2 339	4 554	2 266
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)	- 18	- 15	- 22	- 15	2
Allocated capital (end of period)	182	218	224	473	245

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	9M 2020	2019	9M 2019
Result after tax, attributable to equity holders of the parent (A)	Consolidated income statement'	902	2 489	1 787
-				
Coupon on the additional tier-1 instruments included in equity (B)	Consolidated statement of changes in equity'	- 37	- 56	- 43
/				
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)		2.08	5.85	4.19
Diluted = (A-B) / (D) (in EUR)		2.08	5.85	4.19

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	9M 2020	2019	9M 2019
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	696	1 006	779
/				
Earned insurance premiums (B)	Note 3.7.1	1 302	1 693	1 260
+				
Operating expenses (C)	Note 3.7.1	404	526	398
/				
Written insurance premiums (D)	Note 3.7.1	1 371	1 728	1 334
= (A/B)+(C/D)		82.9%	89.9%	91.7%

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 KBC Group’ section.

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2020	2019	9M 2019
Cost/income ratio				
Operating expenses of the banking activities (A)	Consolidated income statement': component of 'Operating expenses'	2 814	3 800	2 895
/				
Total income of the banking activities (B)	Consolidated income statement': component of 'Total income'	4 596	6 563	4 813
=(A) / (B)		61.2%	57.9%	60.2%

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 9M 2020 (versus 58% in FY 2019 and 59% in 9M 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	9M 2020	2019	9M 2019
Specific impairment on loans (A)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 576	2 584	2 601
/				
Outstanding impaired loans (B)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 702	6 160	6 197
= (A) / (B)		45.2%	42.0%	42.0%

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period, relative to the total loan portfolio (see 'Loan portfolio' for definition). In the longer term, this ratio can provide an indication of the credit quality of the portfolio.

Calculation (in millions of EUR or %)	Reference	9M 2020	2019	9M 2019
Net changes in impairment for credit risks (A)	Consolidated income statement': component of 'Impairment'	1 012	204	129
/				
Average outstanding loan portfolio (B)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	177 157	170 128	170 689
= (A) (annualised) / (B)		0.61%	0.12%	0.10%

The credit cost ratio of 9M2020 includes a collective Covid-19 expected credit loss (ECL) of 784 million euros, of which: (i) a total management overlay of 637 million euros and (ii) an impact of 147 million euros captured by our ECL models after 9 months. 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 0.17%.

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	9M 2020	2019	9M 2019
Amount outstanding of impaired loans (A)	Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 702	6 160	6 197
/				
Total outstanding loan portfolio (B)	Credit risk: loan portfolio overview in the 'Credit risk' section	178 883	175 431	176 553
= (A) / (B)		3.2%	3.5%	3.5%

Leverage ratio

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

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

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	9M 2020	2019	9M 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	77 858	74 884	76 500
/				
Total net cash outflows over the next 30 calendar days (B)		55 057	54 415	54 750
= (A) / (B)		142%	138%	140%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	9M 2020	2019	9M 2019
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	157 773	155 816	154 863
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	3 886	1 559	4 008
+				
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'	6 082	5 894	5 751
+				
Other exposures to credit institutions (D)		4 236	4 629	4 954
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	8 254	8 160	8 076
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	3 600	2 866	2 928
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 251	- 2 288	- 2 308
+				
Non-loan-related receivables (H)		- 1 465	- 738	- 715
+				
Other (I)	Component of Note 4.1	- 1 233	- 468	- 1 005
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		178 883	175 431	176 553

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	9M 2020	2019	9M 2019
Net interest income of the banking activities (A)	Consolidated income statement': component of 'Net interest income'	2 866	3 853	2 867
/				
Average interest-bearing assets of the banking activities (B)	Consolidated balance sheet': component of 'Total assets'	202 799	194 731	193 407
= (A) (annualised x360/number of calendar days) / (B)		1.86%	1.95%	1.95%

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

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	9M 2020	2019	9M 2019
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	202 010	174 977	173 000
/				
Required amount of stable funding (B)		138 488	128 845	128 600
= (A) / (B)		145.9%	135.8%	134.5%

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	9M 2020	2019	9M 2019
Parent shareholders' equity (A)	'Consolidated balance sheet'	19 384	18 865	18 086
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416	416	416
= (A) / (B) (in EUR)		46.55	45.31	43.46

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	9M 2020	2019	9M 2019
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	605	1 344	932
/				
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)		6 869	6 764	6 757
= (A) annualised / (B)		11.7%	19.9%	18.4%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	281	789	584
/				
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)		1 711	1 692	1 683
= (A) annualised / (B)		21.7%	46.7%	46.3%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	113	379	260
/				
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)		2 318	2 354	2 352
= (A) annualised / (B)		6.5%	16.1%	14.7%

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	9M 2020	2019	9M 2019
Result after tax, attributable to equity holders of the parent (A)	Consolidated income statement'	902	2 489	1 787
-				
Coupon on the additional tier-1 instruments included in equity (B)	Consolidated statement of changes in equity'	- 37	- 56	- 44
/				
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'	17 755	16 978	16 477
= (A-B) (annualised) / (C)		6.5%	14.3%	14.1%

The return on equity amounts to 7% in 9M 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	9M 2020	2019	9M 2019
Life Insurance - earned premiums (before reinsurance) (A)	Consolidated income statement'	841	1 323	959
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	0	1	0
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	567	525	419
Total sales Life (A)+ (B) + (C)		1 407	1 849	1 378

Solvency ratio (insurance)

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

A detailed calculation can be found under 'Solvency banking and insurance activities separately' section.

Total assets under management

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

Calculation (in billions of EUR or quantity)	Reference	9M 2020	2019	9M 2019
Belgium Business Unit (A)	Company presentation on www.kbc.com	188	200	197
+				
Czech Republic Business Unit (B)		11	11	10
+				
International Markets Business Unit (C)		6	5	5
A)+(B)+(C)		204	216	212