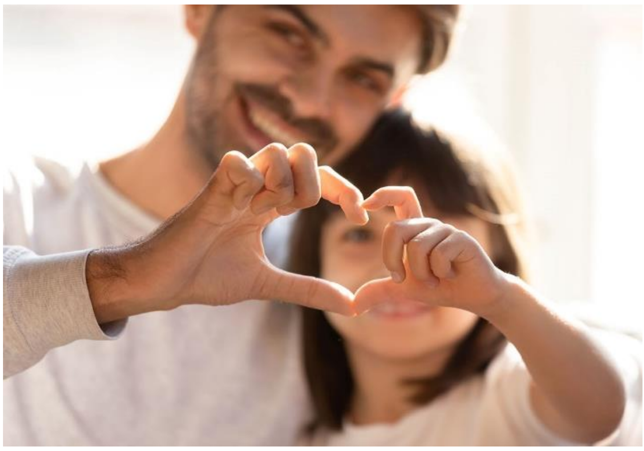
KBC GROUP
QUARTERLY REPORT 2Q2021

KBC GROUP
Report for 2Q2021

Management certification

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



Forward-looking statements

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

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This report contains information that is subject to transparency regulations for listed companies.
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Second-quarter result of 793 million euros

KBC Group – overview (consolidated, IFRS)	**2Q2021**	**1Q2021**	**2Q2020**	**1H2021**	**1H2020**
Net result (in millions of EUR)	793	557	210	1 350	205
Basic earnings per share (in EUR)	1.87	1.31	0.47	3.18	0.43
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*528*	*380*	*204*	*908*	*119*
Czech Republic	*168*	*123*	*77*	*291*	*165*
International Markets	*140*	*88*	*-45*	*228*	*-11*
Group Centre	*-42*	*-35*	*-26*	*-76*	*-68*
Parent shareholders' equity per share (in EUR, end of period)	51.8	49.8	44.6	51.8	44.6

In many countries, the large-scale rollout of vaccines that started in the first quarter of 2021 is now running at full speed. While caution is still paramount, the general feeling is one of anticipation for a long-awaited, full resumption of social activities, and optimism for a worldwide economic recovery. From the start of this crisis almost a year and a half ago, we have taken responsibility in safeguarding the health of our staff and customers, while ensuring that services continue to be provided. We have also worked closely with government agencies to support all customers impacted by the coronavirus, implementing various measures such as loan deferrals. Besides the turmoil caused by the coronavirus crisis, various areas in Europe have been hit by recent extreme weather conditions. Parts of the Czech Republic were hit by a tornado in June, while a number of Belgian provinces recently suffered the devastating consequences of heavy flooding. Our thoughts are very much with the thousands of people who have been affected by these disasters.

More than ever, we believe that the world emerging from these crises has to be a more sustainable one and we are working tirelessly towards that scenario and are fully committed to putting climate change at the top of our agenda. In that respect, following the gradual reduction in our direct exposure to the thermal coal sector since 2016, we completely eliminated our remaining direct exposure to coal in June 2021, a good six months ahead of our own schedule. At the same time, we are continuing our efforts to support investments in green energy infrastructure. In the past quarter, for example, we signed an important new project financing transaction for the first Belgian subsidy-free wind farm in Ghent. This fits into our overall target of expanding our share of renewables to 65% of our energy loan portfolio by 2030.

As regards our financial performance in the past quarter, we delivered an excellent net result of 793 million euros. Total income fell somewhat quarter-on-quarter, due primarily to a lower trading and fair value result. Net interest income and net fee and commission income, however, increased quarter-on-quarter, as did our earned non-life insurance premiums and life insurance sales. Costs decreased significantly, as the bulk of bank taxes for the full year had been recorded in the previous quarter. Lastly, we were able to reverse a significant amount of previously booked loan loss impairment charges. Our solvency position remained very strong, with a common equity ratio of 17.5% on a fully loaded basis. It is the intention of our Board to distribute, in November 2021, an additional gross dividend of 2 euros per share for financial year 2020 and – in line with our general dividend policy – pay an interim dividend of 1 euro as an advance on the total dividend for financial year 2021.

In closing, I would like to take this opportunity to thank all stakeholders who have continued to put their trust in us. I especially wish to express my appreciation to all our staff who have also ensured that our group has been able to operate solidly and efficiently in these challenging times and was able to continue providing high-quality services to our customers. We will reflect that appreciation by providing an exceptional Covid-related bonus to all staff as recognition of their unrelenting efforts in ensuring that our group remains the reference in bank-insurance in all our home markets.

Johan Thijs
Chief Executive Officer

The cornerstones of our strategy

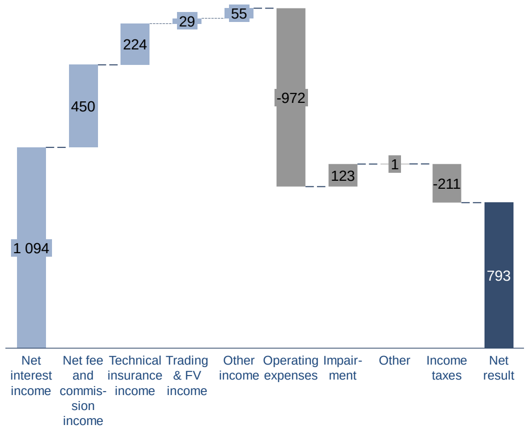
Our strategy rests on the following principles:

- 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
- We build upon the PEARL-values, also focussing on the joint development of solutions, initiatives and ideas within the group

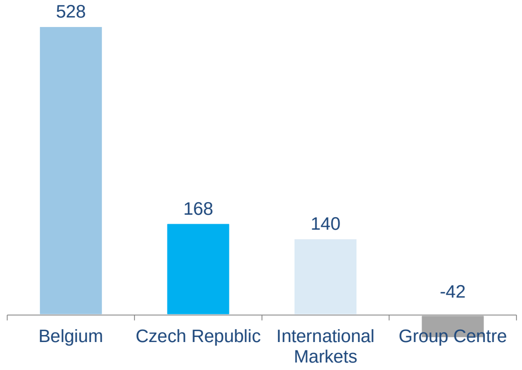
Financial highlights in the second quarter of 2021

- Commercial bank-insurance franchises in our core markets performed very well in the quarter under review.
- Net interest income increased by 2% and 1% compared to the previous and year-earlier quarters, respectively. The net interest margin for the quarter under review amounted to 1.79%, up 1 basis point on the previous quarter and down 3 basis points on the year-earlier quarter. Volumes continued to increase, with deposits including debt certificates growing by 4% quarter-on-quarter and 14% year-on-year, and loans up 2% quarter-on-quarter and 3% year-on-year. These figures were calculated on an organic basis (excluding the acquisition of OTP Banka Slovensko and any forex effects).
- The volume of loans that were granted payment holidays under the various relief schemes amounted to 12.7 billion euros (including EBA-compliant moratoria and the no longer EBA-compliant scheme in Hungary). As a large part of the EBA-compliant moratoria have meanwhile expired, loans still falling under them decreased by 95% by the end of June 2021. For 97% of loans under meanwhile expired EBA-compliant moratoria, payments have resumed.
- Technical income from our non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was down 6% and 14% on the level recorded in the previous and year-earlier quarters, respectively, due essentially to higher technical charges. The combined ratio for the first six months of 2021 amounted to an excellent 82%. Sales of our life insurance products were up 5% on the level recorded in the previous quarter and down 12% on the high level recorded in the year-earlier quarter.
- Net fee and commission income was up 2% on its level in the previous quarter and by as much as 16% on the year-earlier quarter. In both cases, this was accounted for by an increase in fees for our asset management activities and banking services.
- The trading & fair value result was down 77% and 89% on its level in the previous and year-earlier quarters, respectively.
- All other income items combined were 11% and 24% lower than the figure recorded in the previous and year-earlier quarters, respectively. Note that the second quarter traditionally includes the bulk of the dividend income received for the year.
- Costs excluding bank taxes (the bulk of which are recorded in the first quarter of the year and hence distort the quarter-on-quarter comparison), were up 5% quarter-on-quarter and 7% year-on-year. The comparison is also distorted by a number of items, including the booking of an exceptional Covid-related bonus for staff in the quarter under review, forex effects and, for the year-on-year comparison, by the effect of the consolidation of OTP Banka Slovensko. The resulting cost/income ratio for the first half of 2021 amounted to 54%. In that calculation, certain non-operating items have been excluded and bank taxes spread evenly throughout the year. Excluding all bank taxes, the cost/income ratio amounted to 49% in the first half of 2021.
- The quarter under review included a 130-million-euro net release of loan loss impairment, compared to a net release of 76 million euros in the previous quarter, and a net charge of 845 million euros in the year-earlier quarter (with the bulk of that figure relating to collective impairment charges for the coronavirus crisis). As a consequence, the credit cost ratio in the first half of 2021 amounted to -0.22%, compared to 0.60% for full-year 2020 (a negative sign implies a positive impact on the results).
- Our liquidity position remained strong, with an LCR of 166% and NSFR of 152%. Our capital base remained equally as robust, with a fully loaded common equity ratio of 17.5% (under ECB rules, this does not include the interim profit for the first two quarters).

Breakdown of 2Q2021 result
(in millions of EUR)



Contribution of the business units to 2Q2021 group result
(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	2Q2021	1Q2021	4Q2020	3Q2020	2Q2020	1H2021	1H2020
Net interest income	1 094	1 068	1 067	1 122	1 083	2 162	2 278
Non-life insurance (before reinsurance)	213	238	192	233	255	451	440
Earned premiums	*463*	*453*	*450*	*448*	*435*	*916*	*879*
Technical charges	*-250*	*-215*	*-258*	*-215*	*-180*	*-464*	*-439*
Life insurance (before reinsurance)	10	12	4	1	6	22	6
Earned premiums	*272*	*292*	*382*	*267*	*276*	*564*	*574*
Technical charges	*-262*	*-280*	*-378*	*-266*	*-271*	*-542*	*-568*
Ceded reinsurance result	1	-13	10	-9	-13	-12	-21
Dividend income	18	7	11	12	17	25	30
Net result from financial instruments at fair value through P&L[1]	29	127	80	85	253	156	-132
Net realised result from debt instruments at fair value through other comprehensive income	-1	2	-1	1	2	1	3
Net fee and commission income	450	441	403	390	388	890	816
Net other income	38	53	37	37	53	91	102
Total income	1 853	1 933	1 802	1 872	2 043	3 786	3 522
Operating expenses	-972	-1 320	-988	-926	-904	-2 293	-2 242
Impairment	123	77	-122	-63	-857	200	-997
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*130*	*76*	*-57*	*-52*	*-845*	*206*	*-966*
Share in results of associated companies & joint ventures	1	-2	-2	-2	-3	-1	-7
Result before tax	1 005	688	690	881	279	1 693	276
Income tax expense	-211	-131	-152	-184	-69	-342	-71
Result after tax	793	557	538	697	210	1 350	205
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**793**	**557**	**538**	**697**	**210**	**1 350**	**205**
Basic earnings per share (EUR)	1.87	1.31	1.26	1.64	0.47	3.18	0.43
Diluted earnings per share (EUR)	1.87	1.31	1.26	1.64	0.47	3.18	0.43

Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-06-2021	31-03-2021	31-12-2020	30-09-2020	30-06-2020
Total assets	368 596	351 818	320 743	321 053	317 246
Loans & advances to customers, excl. reverse repos	164 344	160 960	159 621	157 773	157 563
Securities (equity and debt instruments)	71 098	71 981	71 784	71 310	72 131
Deposits from customers & debt cert., excl. repos	243 304	231 838	215 430	211 672	210 811
Technical provisions, before reinsurance	18 976	18 939	18 718	18 613	18 775
Liabilities under investment contracts, insurance	13 128	12 922	12 724	12 482	12 505
Parent shareholders' equity	21 600	20 768	20 030	19 244	18 570

Selected ratios KBC group (consolidated)	1H2021	FY2020
Return on equity[3]	14%	8%
Cost/income ratio, group [when excluding certain non-operating items and spreading bank taxes evenly throughout the year]	61% [54%]	58% [57%]
Combined ratio, non-life insurance	82%	85%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	17.5% [18.0%]	17.6% [18.1%]
Common equity ratio, FICOD fully loaded [transitional]	16.6% [17.1%]	16.4% [16.9%]
Credit cost ratio[4]	-0.22%	0.60%
Impaired loans ratio	3.2%	3.3%
for loans more than 90 days past due	1.7%	1.8%
Net stable funding ratio (NSFR)	152%	146%
Liquidity coverage ratio (LCR)	166%	147%

1 Also referred to as 'Trading & fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 15% when bank taxes are spread evenly throughout the year.
4 A negative figure indicates a net impairment release (positively affecting results).

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

Analysis of the quarter (2Q2021)

Total income **1 853** million euros	• Total income down 4% quarter-on-quarter. • Net interest income, net fee and commission income and dividend income all up, whereas trading & fair value income and, to a lesser extent, technical insurance income and net other income down quarter-on-quarter.

Net interest income amounted to 1 094 million euros in the quarter under review, up 2% and 1%, respectively, on its level in the previous and year-earlier quarters.

Quarter-on-quarter, net interest income benefited from the continued growth of lending volumes (see below), more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, lower funding costs, a higher number of days in the period under review, higher interest income from the insurer's bond portfolio (inflation-linked bonds) and a positive forex-related impact. These effects were partly offset by a number of factors, including the negative impact of lower reinvestment yields, margin pressure on the mortgage loan portfolio (particularly in the Czech Republic and Hungary) and a slightly lower netted positive impact of ALM forex swaps. Year-on-year, the increase in net interest income was due to a number of items, such as the increase in the loan portfolio, lower funding cost (including the positive impact of TLTRO III), the higher netted positive impact of ALM forex swaps, the consolidation of OTP Banka Slovensko (included in the group result as of 2021), more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, and a positive forex effect, partly offset by the negative impact of past CNB rate cuts in the Czech Republic and lower reinvestment yields in general. The net interest margin for the quarter under review amounted to 1.79%, up 1 basis point on the previous quarter and down 3 basis points on the year-earlier quarter. For an indication of the expected net interest income for full-year 2021, see 'Guidance' on page 11 of this publication.

Customer deposits including debt certificates (243 billion euros) were up 4% quarter-on-quarter and 14% year-on-year on an organic basis (eliminating the forex-related impact and the effects of changes in the scope of consolidation). The total volume of customer lending (164 billion euros) rose 2% quarter-on-quarter and 3% year-on-year on an organic basis. The volume of loans that were granted payment holidays under the various relief schemes amounted to 12.7 billion euros (including EBA-compliant moratoria and the no longer EBA-compliant scheme in Hungary). As a large part of the EBA-compliant moratoria have meanwhile expired, loans still falling under them decreased by 95% by the end of June 2021. For 97% of loans under meanwhile expired EBA-compliant moratoria, payments have fully resumed. In addition, we granted some 0.9 billion euros in loans that fall under the various coronavirus-related government guarantee schemes in our home markets.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 213 million euros to total income, down 6% and 14% on its performance in the previous and year-earlier quarters, respectively. In both cases, the increase in earned premiums (+2% quarter-on-quarter and +6% year-on-year) and better reinsurance result were more than offset by a rise in technical charges, as – *inter alia* – the quarter under review was adversely impacted by claims related to the extreme weather (windstorms/tornado) in the Czech Republic and the fact that claims had been quite low in the second quarter of 2020 as a result of the strict lockdown measures at that time. Overall, the combined ratio for the first six months of 2021 came to an excellent 82%, compared to 85% for full-year 2020. Note that the impact of the recent floods in Belgium will only become apparent in the results as of the third quarter. We have provided an estimate of that impact under 'Guidance' on page 11 of this publication.

Technical income from our **life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 10 million euros, compared to 11 million euros in the previous quarter and 1 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (494 million euros) were up 5% on the level recorded in the previous quarter, with the decline in guaranteed-interest products being more than offset by increased sales of unit-linked insurance products. Sales were down 12% on the relatively high level recorded in the year-earlier quarter, due primarily to lower sales of unit-linked products. Overall, the share of unit-linked products in our total life insurance sales amounted to 55% in the quarter under review, with guaranteed-interest products accounting for the remaining 45%.

In the quarter under review, **net fee and commission income** amounted to 450 million euros, up 2% on its level in the previous quarter. This is due to a combination of higher fees for our asset management business (especially management fees) and for our banking services (increased fees for payment services more than offsetting lower securities-related fees). Net fee and commission income was up by as much as 16% on its level in the year-earlier quarter, thanks to significantly higher fees for both our asset management services (+20%) and our banking services (+9%, due mainly to higher fees for payment services), only slightly offset by higher distribution fees paid. At the end of June 2021, our total assets under management amounted to 228 billion euros, up 3% quarter-on-quarter and 13% year-on-year. In both cases, the increase was due primarily to a further recovery in asset prices, coupled with small net inflows.

The **net result from financial instruments at fair value** (trading & fair value income) amounted to 29 million euros, down 77% and 89% on the level recorded in the previous and year-earlier quarters, respectively. In both cases, the decrease was due to a combination of a lower dealing room result, a drop in the market value of derivatives used for asset/liability management purposes, a lower realised result on shares in the insurer's portfolio, and lower positive market value adjustments.

The **other remaining income items** included dividend income of 18 million euros (in line with the year-earlier figure and up on the figure recorded in the previous quarter, as the second quarter of the year traditionally includes the bulk of received dividends) and 38 million euros in net other income (somewhat below the normal run rate for this item, due in part to some negative one-off items).

Operating expenses **972 million euros**	• Operating expenses, excluding bank taxes, were up 5% and 7% quarter-on-quarter and year-on-year, respectively, partly due to the booking of an exceptional Covid-related bonus for staff, forex effects and the consolidation of OTP Banka Slovensko (year-on-year). • Group cost/income ratio for first six months of 2021 amounted to 54% (when certain non-operating items are excluded and bank taxes spread evenly over the year) or 49% (when bank taxes are fully excluded).

Operating expenses in the second quarter of 2021 amounted to 972 million euros. The quarter-on-quarter comparison is distorted by the upfront recognition in the first quarter of most of the bank taxes for the full year (bank taxes amounted to 424 million euros in the first quarter of 2021, compared to just 30 million euros in the second quarter of 2021).

Excluding these taxes, expenses were up 5% on their level of the previous quarter due to a number of factors, including the booking of an exceptional Covid-related bonus for staff, wage inflation, increased ICT costs and higher expenses for facilities, marketing campaigns and professional fees (partly seasonal), as well as a negative forex effect. Year-on-year, expenses excluding bank taxes were up 7% chiefly on account of the Covid-related bonus for staff, the consolidation of OTP Banka Slovensko, the lower accruals for variable remuneration in the reference period, wage inflation, higher ICT expenses, higher marketing expenses and a negative forex effect.

The cost/income ratio for the group came to 61% for the first six months of 2021. Evenly spreading the bank taxes over the full year and excluding certain non-operating items, the ratio amounted to 54%, compared to 57% for full-year 2020. When excluding all bank taxes, the cost-income ratio for the first six months of the year fell to 49%.

For an indication of the expected increase in costs for full-year 2021, see 'Guidance' on page 11 of this publication.

Loan loss impairment **130-million-euro net release**	• Significant net release of loan loss impairment in the quarter under review. • Credit cost ratio for the first six months of 2021 at -0.22%.

In the second quarter of 2021, we recorded a 130-million-euro net release of loan loss impairment, compared with a net release of 76 million euros in the previous quarter and a net charge of 845 million euros in the second quarter of 2020 (almost 90% of that 845 million euros related to collective impairment charges for the coronavirus crisis). The net release in the quarter under review includes the release of 129 million euros in collective coronavirus-related impairment. As a consequence, collective impairment charges for the coronavirus crisis recorded on the books at end of June 2021 amounted to 628 million euros (down from 757 million euros three months earlier). Of that amount, 592 million euros was based on a 'management overlay' and 36 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, net reversals of loan loss impairment came to 56 million euros in Belgium, 53 million euros in the Czech Republic, 6 million euros in Slovakia, 19 million euros in Hungary, 1 million euros in Bulgaria and 0 million euros in Ireland, with only the Group Centre recording a small increase in loan loss impairment (6 million euros).

For the entire group, the credit cost ratio amounted to -0.22% for the first six months of 2021 (-0.06% excluding the amount recorded for the coronavirus crisis), up from 0.60% for full-year 2020 (0.16% excluding the amount for the coronavirus crisis). A negative figure implies a positive impact on the result. At the end of June 2021, some 3.2% of our total loan book was classified as impaired (Stage 3), compared to 3.3% at year-end 2020. Impaired loans that are more than 90 days past due amounted to 1.7% of the loan book, compared to 1.8% at year-end 2020.

For an indication of the expected impact of loan loss impairment for full-year 2021, see 'Guidance' on page 11 of this publication.

Impairment on assets *other than loans* amounted to a net charge of 6 million euros, compared to a net reversal of 1 million euros in the previous quarter and a net charge of 12 million euros in the second quarter of 2020. This 2020 figure related principally to the accounting treatment (modification loss) of payment moratoria in our home countries.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
528 million euros	168 million euros	140 million euros	-42 million euros

Belgium: the net result (528 million euros) was up 39% quarter-on-quarter. Excluding bank taxes (the bulk of which are recorded in the first quarter and distort the quarter-on-quarter comparison), the result fell by 13% due to the combined effect of slightly lower total income (the increase in net interest income and dividend income was more than offset by a significant decline in trading & fair value income and smaller decreases in net fee & commission income and other net income), higher costs (partly related to the exceptional Covid-related bonus for staff) and slightly lower level of loan loss impairment reversals compared to the previous quarter.

Czech Republic: the net result (168 million euros) was up 34% on its level for the previous quarter, excluding forex effects. When bank taxes are also excluded, the net result was virtually the same as in the previous quarter. This was due to a combination of lower total income (the increase in net interest income and net fee and commission income was more than offset by a significant decrease in trading & fair value income and lower non-life insurance income owing to the impact of extreme weather) and increased costs (partly related to the exceptional Covid-related bonus for staff), offset by a higher level of loan loss impairment reversals compared to the previous quarter.

International Markets: the 140-million-euro net result breaks down as follows: 22 million euros in Slovakia, 75 million euros in Hungary, 30 million euros in Bulgaria and 13 million euros in Ireland. For the business unit as a whole, the net result was up 58% quarter-on-quarter, or 11% when bank taxes are excluded. The latter increase came about mainly on account of the slightly higher level of total income (thanks to increased net interest income and net fee and commission income) and a net reversal of loan loss impairment (unlike the previous quarter when there was no impairment impact), somewhat offset by increased costs (partly related to the exceptional Covid-related bonus for staff).

Group Centre: the net result (-42 million euros) was 7 million euros lower than the figure recorded in the previous quarter, due in part to higher loan loss impairment charges and a slightly lower level of total income (owing mainly to lower non-life technical insurance income) in the quarter under review, partly offset by lower costs.

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**1H2021**	**FY2020**	**1H2021**	**FY2020**	**1H2021**	**FY2020**
Cost/income ratio, group (when excluding certain non-operating items and spreading bank taxes evenly throughout the year)	50%	54%	55%	52%	63%	64%
Combined ratio, non-life insurance	81%	84%	85%	87%	80%	84%
Credit cost ratio*	-0.20%	0.57%	-0.41%	0.67%	-0.18%	0.78%
Impaired loans ratio	2.5%	2.3%	2.1%	2.3%	6.3%	6.9%

* 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
23.1 billion euros	17.5%	166%	152%

At the end of June 2021, total equity amounted to 23.1 billion euros, comprising 21.6 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 1.6 billion euros on its level at the end of 2020. This was accounted for by the combined effect of a number of items, including the profit for the first six months of 2021 (+1.4 billion euros), payment of the dividend to shareholders in May 2021 (-0.2 billion euros), an increase in the revaluation reserves (+0.4 billion euros) 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.

For information on future dividend payments, see 'Guidance' on page 11 of this publication.

At 30 June 2021, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 17.5%, compared to 17.6% at the end of 2020 (fully due to an increase in risk-weighted assets). Our fully loaded leverage ratio (Basel III) came to 5.5%. The solvency ratio for KBC Insurance under the Solvency II framework was 221% at the end of June 2021, compared to 222% at the end of 2020. We have provided more details and additional information on solvency under 'Solvency' in the 'Additional information' section of the quarterly report.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 166% and an NSFR ratio of 152%, compared to 147% and 146%, respectively, at the end of 2020.

Analysis of the year-to-date period (1H2021)

Net profit **1 350 million euros**	• Net profit significantly up by 1 145 million euros year-on-year to 1 350 million euros. • The 2020 reference period had included high collective loan loss impairment charges related to the coronavirus crisis (789 million euros compared to a net release of 155 million euros in the current year-to-date period). • Additionally, net fee and commission income, the technical insurance result and trading & fair value income were all up. Net interest income, dividend income and net other income were down. Costs increased year-on-year.

Highlights (compared to the first half of 2020):

- Lower net interest income (down 5% to 2 162 million euros), due in part to the negative impact of past rate cuts in the Czech Republic and the negative effects of lower reinvestment yields. These items were partly offset by the positive impact of TLTRO III and ECB tiering, a larger loan portfolio (see below), the OTP Banka Slovensko 'impact' (included in the group result as of 2021), more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs and a higher netted positive impact of ALM FX swaps. On an organic basis (excluding changes in scope and forex effects), the volume of deposits and debt certificates increased by 14% and customer lending volumes by 3%. The net interest margin in the first half of 2021 came to 1.79%, down 10 basis points year-on-year.
- Increase in the contribution to profit made by the technical insurance result (up 8% to 461 million euros). The non-life insurance technical result was up 5% on the figure for the year-earlier period, on account of higher premium income and a better ceded reinsurance result, which more than offset the increased level of technical charges. The year-to-date non-life combined ratio amounted to an excellent 82%, compared to 85% for full-year 2020. Life insurance sales (965 million euros) were down slightly (by 2%), with decreased sales in both unit-linked and guaranteed-interest products.
- Higher net fee and commission income (up 9% to 890 million euros), attributable primarily to an increase in fees for asset management services (management fees) and, to a lesser extent, higher fees for certain banking services. At the end of June 2021, total assets under management amounted to 228 billion euros, up 13% on the level recorded a year earlier (12% price increase, 1% net inflows).
- Much higher trading & fair value income (up from -132 million euros to 156 million euros). The figure for the reference period included the extremely negative performance in the first quarter (-385 million euros), as the outbreak of the coronavirus crisis in that quarter initially caused stock markets to tumble, credit spreads to widen and long-term interest rates to fall.
- Lower level of all other income items combined (down 13% to 117 million euros) due to lower dividend income and net other income.
- Higher operating expenses (up 2% to 2 293 million euros). Excluding bank taxes, operating expenses were also up 2%, due to items such as the exceptional Covid-related bonus awarded to staff, the consolidation of OTP Banka Slovensko, the lower accruals for variable remuneration in the reference period and wage inflation, partly offset by lower costs related to ICT, facilities and professional fees and lower depreciation expenses. Note that, excluding the OTP Banka Slovensko impact, the exceptional Covid-related bonus, forex effects and bank taxes, costs remained stable compared to the reference period. The year-to-date cost/income ratio came to 61%, or an adjusted 54% when bank taxes are evenly spread throughout the year and certain non-operating items excluded (compared to 57% for full-year 2020). When bank taxes are fully excluded, the cost-income ratio for the six-month period under review fell to 49%.
- Significant decrease in loan loss impairment (net reversal of 206 million euros, as opposed to a net charge of 966 million euros in the reference period). Note that the reference period included 789 million euros in collective impairment charges for the coronavirus crisis, compared to a net release of 155 million euros in the current period. As a result, the credit cost ratio for the whole group improved to -0.22%, compared to 0.60% for full-year 2020 (a negative figure implies a positive impact on the result).
- The 1 350-million-euro net result for the first half of 2021 breaks down as follows: 908 million euros for the Belgium Business Unit (up 789 million euros on the year-earlier level), 291 million euros for the Czech Republic Business Unit (up 125 million euros), 228 million euros for the International Markets Business Unit (up 239 million euros) and -76 million euros for the Group Centre (down 8 million euros). The result for the International Markets Business Unit for the first half of 2021 included 38 million euros for Slovakia, 118 million euros for Hungary, 52 million euros for Bulgaria and 21 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. These risks come on top of risks relating to macroeconomic and political developments, 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, as evidenced by the tornado that hit the Czech Republic in June and the recent floods in Western Europe, including in Belgium. 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

The progress of the vaccination campaigns was the main driver of global economic growth in the second quarter, leading to positive quarter-on-quarter growth in the euro area and in the KBC home markets that have already reported 2Q-growth (Belgium and the Czech Republic). We expect reported quarterly growth in the other home markets to be positive as well. Despite the emergence of new infectious variants of the virus, recent data suggest a decoupling of the rate of infections from the rates of hospitalization and Intensive Care Unit occupancy, thanks to the availability of vaccines. We therefore expect that, in the second half of 2021, the European economies will re-open further by gradually easing the remaining pandemic-related restrictions that still weigh on them. As a result, European economic growth is expected to accelerate in the second half of 2021. European economic activity is likely to return to its pre-pandemic level in early-2022.

Our view on interest rates and foreign exchange rates

Coordinated monetary and fiscal policy stimuli continue to support the US and euro area economies. While the start of the tapering of asset purchases in 2021-2022 by the Federal Reserve (Fed) is a possibility, we expect both the Fed and the ECB to keep their policy rates unchanged for 2021-2022. The ECB strategy review and first policy meeting suggests that these rates may remain unchanged at their current low levels (or lower) for longer than so far anticipated.

Ten-year government bond yields in the US fell markedly in the second quarter of 2021 and continued to decrease at the beginning of the third quarter. This decline was partly driven by falling inflation expectations and market concerns about the growth outlook beyond the immediate past-pandemic recovery. However, we expect US yields to moderately increase again from their current levels in the third quarter on the back of the ongoing economic recovery and unsustainable low real yields. This will also lead to moderate upward pressure on German yields. Underlying medium-term inflation in the euro area is expected to gradually increase, helped by the announced gradual inclusion of owner-occupied housing costs in the definition of the harmonised consumer price index. As a result of continued ample liquidity provision by the ECB and low policy rates, we expect intra-EMU sovereign spreads to remain broadly stable at their current compressed levels.

As regards exchange rates, we expect the Hungarian forint to strengthen somewhat in the third quarter from its current level. This is in line with the tightening cycle started by the Hungarian central bank, which was continued on its latest policy meeting of 27 July. From the fourth quarter on, however, we expect the forint to resume its fundamental gradual depreciation against the euro. The Czech koruna is also likely to appreciate moderately against the euro. In contrast to the Hungarian forint, this appreciation is likely to be longer lived. We expect the Czech National Bank to raise its policy rate by another 50 basis points by the end of 2021, followed by another increase of 75 basis points in 2022, mainly as a result of the outlook for Czech inflation. As far as the US dollar is concerned, we expect the US dollar to depreciate to a moderate extent against the euro, driven by the continued improving outlook for global growth and inflation, high US budget and current account deficits and the higher inflation differential between the US and the euro area.

Guidance

Full-year 2021 guidance

- Net interest income: we are increasing our full year 2021 guidance from 4.3 billion euros to approximately 4.4 billion euros.
- Operating expenses excluding bank taxes: our 2021 full year guidance remains unchanged at +2% year-on-year like-for-like, despite the negative forex effect. Note however that, next to the impact of the acquisition of OTP Banka Slovensko as of 2021, the one-off -18 million euros Covid-related bonus comes on top.
- Credit cost ratio (CCR): the full year 2021 CCR is expected to be around 0 basis points (excluding potential further coronavirus crisis ECL reversals in the second half of 2021) instead of the low end of our average through-the-cycle CCR of 30-40bps. This does not take into account any potential impact of the signing of the two pending loan sales transactions (performing and non-performing loan portfolios) at KBC Bank Ireland.
- Starting mid-July, Belgium (and particularly the eastern part) was severely hit by several floods. This will have a negative impact on KBC in the third quarter 2021, in the non-life technical result. The true extent of the human loss and material damage caused by these extreme weather conditions will become clear in the coming weeks. Nevertheless, the first estimated impact after reinsurance (before tax) is around -41 million euros (under current legislation).

Dividend

- It is the intention of our Board of Directors to distribute, in November 2021:
  - an additional gross dividend of 2 euros per share for 2020, and
  - in line with our general dividend policy, an interim dividend 1 euro as an advance on the total dividend for financial year 2021.

Upcoming events	3Q2021 results: 12 November 2021
More information on 2Q2021	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
Detailed impact of coronavirus crisis	Quarterly report, Note 1.4 in 'Consolidated financial statements according to IFRS' Company presentation, section 2 on 'Covid-19'
Definitions of ratios	'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

2Q 2021 and 1H 2021

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

FVO: Fair Value Option (designated upon initial recognition at Fair Value through Profit or Loss)

FVOCI: Fair Value through Other Comprehensive Income

FVPL: Fair Value through Profit or Loss

FVPL – overlay: Fair Value through Profit or Loss - overlay

GCA: Gross Carrying Amount

HFT: Held For Trading

MFVPL: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)

OCI: Other Comprehensive Income

POCI: Purchased or Originated Credit Impaired Assets

SPPI: Solely payments of principal and interest

SRB: Single Resolution Board

R/E: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	1H 2021	1H 2020	2Q 2021	1Q 2021	2Q 2020
Net interest income	3.1	2 162	2 278	1 094	1 068	1 083
Interest income	*3.1*	*3 009*	*3 332*	*1 529*	*1 480*	*1 497*
Interest expense	*3.1*	*- 847*	*- 1 054*	*- 434*	*- 413*	*- 415*
Non-life insurance (before reinsurance)	3.7	451	440	213	238	255
Earned premiums	*3.7*	*916*	*879*	*463*	*453*	*435*
Technical charges	*3.7*	*- 464*	*- 439*	*- 250*	*- 215*	*- 180*
Life insurance (before reinsurance)	3.7	22	6	10	12	6
Earned premiums	*3.7*	*564*	*574*	*272*	*292*	*276*
Technical charges	*3.7*	*- 542*	*- 568*	*- 262*	*- 280*	*- 271*
Ceded reinsurance result	3.7	- 12	- 21	1	- 13	- 13
Dividend income		25	30	18	7	17
Net result from financial instruments at fair value through profit or loss	3.3	156	- 132	29	127	253
of which result on equity instruments (overlay approach)		*59*	*- 51*	*24*	*35*	*31*
Net realised result from debt instruments at fair value through OCI		1	3	- 1	2	2
Net fee and commission income	3.5	890	816	450	441	388
Fee and commission income	*3.5*	*1 289*	*1 188*	*650*	*639*	*559*
Fee and commission expense	*3.5*	*- 399*	*- 371*	*- 200*	*- 198*	*- 172*
Net other income	3.6	91	102	38	53	53
TOTAL INCOME		3 786	3 522	1 853	1 933	2 043
Operating expenses	3.8	- 2 293	- 2 242	- 972	- 1 320	- 904
Staff expenses	*3.8*	*- 1 184*	*- 1 139*	*- 607*	*- 577*	*- 545*
General administrative expenses	*3.8*	*- 944*	*- 925*	*- 283*	*- 662*	*- 270*
Depreciation and amortisation of fixed assets	*3.8*	*- 164*	*- 178*	*- 83*	*- 81*	*- 89*
Impairment	3.10	200	- 997	123	77	- 857
on financial assets at AC and at FVOCI	*3.10*	*206*	*- 966*	*130*	*76*	*- 845*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 5*	*- 32*	*- 6*	*1*	*- 12*
Share in results of associated companies and joint ventures		- 1	- 7	1	- 2	- 3
RESULT BEFORE TAX		1 693	276	1 005	688	279
Income tax expense		- 342	- 71	- 211	- 131	- 69
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		1 350	205	793	557	210
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		**1 350**	**205**	**793**	**557**	**210**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		3.18	0.43	1.87	1.31	0.47
Diluted		3.18	0.43	1.87	1.31	0.47

The consolidated income statement as of 1Q 2021 contains figures of OTP Banka Slovensko (Slovakia), of which 99.44% ownership was acquired by KBC Bank NV in 4Q 2020. For more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

Overview impact of the overlay approach on the consolidated income statement

The equity instruments of the insurance companies within the group are designated under the overlay approach. These equity instruments, mainly classified as AFS under IAS 39, would have been measured at fair value through P&L under IFRS 9. The overlay approach reclassifies from the income statement to OCI the extra volatility related to the adoption of IFRS 9 as long as IFRS 17 is not in place, until 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 +109 million euros in 1H 2021. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): +169 million euros of which +171 million euros realized and unrealized fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and -2 million euros income taxes;
- IAS 39 result: +59 million euros including net realized result amounting to +66 million euros and impairment loss of -7 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1H 2021	1H 2020	2Q 2021	1Q 2021	2Q 2020
RESULT AFTER TAX	1 350	205	793	557	210
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	1 350	205	793	557	210
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	124	- 337	141	- 16	405
Net change in revaluation reserve (FVOCI debt instruments)	- 304	10	- 79	- 225	192
Net change in revaluation reserve (FVPL equity instruments) - overlay	109	- 87	59	50	138
Net change in hedging reserve (cashflow hedges)	162	- 19	24	138	5
Net change in translation differences	200	- 307	160	40	85
Hedge of net investments in foreign operations	- 42	65	- 24	- 18	- 15
Net change in respect of associated companies and joint ventures	0	0	0	0	0
Other movements	- 1	1	0	- 1	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	302	3	97	205	- 110
Net change in revaluation reserve (FVOCI equity instruments)	50	- 1	5	44	3
Net change in defined benefit plans	255	2	91	163	- 98
Net change in own credit risk	- 2	4	0	- 2	- 13
Net change in respect of associated companies and joint ventures	0	- 2	0	0	- 2
TOTAL COMPREHENSIVE INCOME	1 777	- 128	1 031	746	505
Attributable to minority interests	0	0	0	0	0
Attributable to equity holders of the parent	1 777	- 128	1 031	746	505

The largest movements in other comprehensive income (1H 2021 vs. 1H 2020):

- Net change in revaluation reserve (FVOCI debt instruments): the -304 million euros in 1H 2021 is mainly explained by higher interest rates. The +10 million euros in 1H 2020 includes compensating effects in 1Q and 2Q 2020. The -182 million euros in 1Q 2020 was negatively impacted by higher credit spreads, while the +192 million euros in 2Q 2020 was characterised by lower interest rates and credit spreads.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the +109 million euros in 1H 2021 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments). The -87 million euros in 1H 2020 can be explained by negative fair value movements, partly offset by transfers to net result (impairments partly offset by gains on disposal).
- Net change in hedging reserve (cash flow hedge): the +162 million euros in 1H 2021 can mainly be explained by the higher interest rates. In 1H 2020, the hedging reserve (cash flow hedge) decreased with 19 million caused by different (partially compensating) drivers.
- The net change in translation differences (+200 million euros) in 1H 2021 was mainly caused by the appreciation of the CZK and the HUF versus the EUR, partially offset by the hedge of net investments in foreign operations (-42 million euros). The net change in translation differences (-307 million euros) in 1H 2020 was mainly caused by the substantial weakening of the CZK and HUF versus the EUR. This is only partially compensated by the hedge of the net investment in foreign operations (+65 million euros). The hedging policy of FX participations since mid-2019 aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in revaluation reserve (FVOCI equity instruments): the +50 million euros in 1H 2021 is mainly explained by positive fair value movements related to an amendment to the articles of association of an unquoted equity participation, as a result of which KBC is entitled to a larger compensation in the event of an exit.
- Net change in defined benefit plans: the +255 million euros in 1H 2021 is explained by the combined effect of the higher discount rate applied on the obligations and the positive return of the equity instruments in the plan assets. The +2 million euros in 1H 2020 includes compensating effects in 1Q and 2Q 2020. The +100 million euros in 1Q 2020 is explained by the mortality risk of the KBC pension fund being fully reinsured as of 2020, while the higher discount rate is offset by a negative return on plan assets. In 2Q 2020, the net change in defined benefit plans (-98 million euros) is mainly related to the lower interest rates, which is only partly offset by the positive return on the plan assets.

Consolidated balance sheet

(in millions of EUR)	Note	30-06-2021	31-12-2020
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		68 034	24 583
Financial assets	4.0	291 320	286 386
Amortised cost	*4.0*	*248 390*	*243 527*
Fair value through OCI	*4.0*	*16 846*	*18 451*
Fair value through profit or loss	*4.0*	*25 932*	*24 248*
of which held for trading	*4.0*	*9 728*	*8 695*
Hedging derivatives	*4.0*	*152*	*160*
Reinsurers' share in technical provisions, insurance		171	145
Profit/loss on positions in portfolios hedged for interest rate risk		525	1 360
Tax assets		1 508	1 624
Current tax assets		*208*	*125*
Deferred tax assets		*1 300*	*1 499*
Non-current assets held for sale and disposal groups		19	19
Investments in associated companies and joint ventures		34	24
Property, equipment and investment property		3 646	3 691
Goodwill and other intangible assets		1 656	1 551
Other assets		1 684	1 361
TOTAL ASSETS		**368 596**	**320 743**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	323 266	276 781
Amortised cost	*4.0*	*301 525*	*254 053*
Fair value through profit or loss	*4.0*	*20 681*	*21 409*
of which held for trading	*4.0*	*6 183*	*7 157*
Hedging derivatives	*4.0*	*1 061*	*1 319*
Technical provisions, before reinsurance		18 976	18 718
Profit/loss on positions in portfolios hedged for interest rate risk		- 38	99
Tax liabilities		408	498
Current tax liabilities		*56*	*79*
Deferred tax liabilies		*352*	*419*
Provisions for risks and charges		188	209
Other liabilities		2 696	2 908
TOTAL LIABILITIES		345 496	299 214
Total equity	5.10	23 100	21 530
Parent shareholders' equity	5.10	21 600	20 030
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		**368 596**	**320 743**

The increase of the balance sheet total in 1H 2021 can for the largest part be explained by the issued certificates of deposit and repos with credit institutions and investment firms, leading to higher cash balances with central banks related to increased short-term money market & repo opportunities.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-06-2021									
Balance at the end of the previous period	**1 459**	**5 514**	**- 1**	**13 146**	**- 88**	**20 030**	**1 500**	**0**	**21 530**
Net result for the period	0	0	0	1 350	0	1 350	0	0	1 350
Other comprehensive income for the period	0	0	0	- 1	427	427	0	0	427
Subtotal	**0**	**0**	**0**	**1 349**	**427**	**1 777**	**0**	**0**	**1 777**
Dividends	0	0	0	- 183	0	- 183	0	0	- 183
Coupon on AT1	0	0	0	- 25	0	- 25	0	0	- 25
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	5	- 5	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	1 146	422	1 570	0	0	1 570
Balance at the end of the period	**1 459**	**5 514**	**0**	**14 293**	**334**	**21 600**	**1 500**	**0**	**23 100**
2020									
Balance at the end of the previous period	**1 458**	**5 498**	**- 2**	**11 732**	**37**	**18 722**	**1 500**	**0**	**20 222**
Net result for the period	0	0	0	1 440	0	1 440	0	0	1 440
Other comprehensive income for the period	0	0	0	0	- 102	- 102	0	0	- 102
Subtotal	**0**	**0**	**0**	**1 440**	**- 102**	**1 339**	**0**	**0**	**1 339**
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 50	0	- 50	0	0	- 50
Capital increase	1	17	0	0	0	18	0	0	18
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	23	- 23	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	1	17	1	1 414	- 125	1 308	0	0	1 308
Balance at the end of the period	**1 459**	**5 514**	**- 1**	**13 146**	**- 88**	**20 030**	**1 500**	**0**	**21 530**

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-06-2020									
Balance at the end of the previous period	**1 458**	**5 498**	**- 2**	**11 732**	**37**	**18 722**	**1 500**	**0**	**20 222**
Net result for the period	0	0	0	205	0	205	0	0	205
OCI for the period	0	0	0	1	- 335	- 333	0	0	- 333
Subtotal	**0**	**0**	**0**	**206**	**- 335**	**- 128**	**0**	**0**	**- 128**
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 25	0	- 25	0	0	- 25
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	1	- 1	0	0	0	0
Purchase/sale of treasury shares	0	0	1	0	0	1	0	0	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	1	183	- 336	- 152	0	0	- 152
Balance at the end of the period	**1 458**	**5 498**	**- 1**	**11 915**	**- 299**	**18 570**	**1 500**	**0**	**20 070**

30-06-2021

Please note that, for 2020, and taking into account the ECB recommendation of 15 December 2020 to limit dividend payments re. 2019 and 2020 profits to the lower of 15% of cumulated 2019-2020 profits and 20 basis points of RWA:

- Based on the approval of the general meeting of shareholders on 6 May 2021, on 19 May 2021 a closing dividend of 0.44 euros was paid out per share (183 million euros in total). This closing dividend was deducted from retained earnings in 2Q 2021.
- The Board of Directors also intends to distribute an additional gross dividend of 2.00 euros per share in the fourth quarter of 2021 for financial year 2020 (that amount has not been deducted from the solvency ratios at year-end 2020 and 30 June 2021).

2020

The changes in equity in 2020 include a transfer from revaluation reserves (FVOCI equity instruments) to retained earnings for 23 million euros on realisation, mainly related to a corporate action.

In 4Q 2020, KBC made a change in accounting policy for intangible assets. Following the requirements of IAS 8, the change in accounting policy has been applied retrospectively (as if the new accounting policy had always been applied). Consequently, parent shareholders' equity of 30 June 2020 has been retrospectively restated (decrease of 140 million euros). For more information, see Statement of compliance (note 1.1) of the annual report of 2020.

(in millions of EUR)	30-06-2021	31-12-2020
Revaluation reserve (FVOCI debt instruments)	826	1 130
Revaluation reserve (FVPL equity instruments) - overlay	434	325
Revaluation reserve (FVOCI equity instruments)	59	15
Hedging reserve (cashflow hedges)	- 1 132	- 1 294
Translation differences	- 183	- 382
Hedge of net investments in foreign operations	121	163
Remeasurement of defined benefit plans	210	- 45
Own credit risk through OCI	- 1	1
Total revaluation reserves	**334**	**- 88**

Consolidated cash flow statement

(in millions of EUR)	Note (1)	1H 2021	1H 2020
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	1 693	276
Adjustments for non-cash items in profit & loss		47	1 213
Changes in operating assets (excluding cash and cash equivalents)		- 1 296	- 10 236
Changes in operating liabilities (excluding cash and cash equivalents)		44 216	27 161
Income taxes paid		- 235	- 303
Net cash from or used in operating activities		44 424	18 112
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	281	- 4 958
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		0	0
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		0	28
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)		- 138	- 152
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		- 13	25
Other		5	43
Net cash from or used in investing activities		135	- 5 014
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Consolidated statement of changes in equity	1	1
Issue or repayment of promissory notes and other debt securities	4.1	- 576	576
Proceeds from or repayment of subordinated liabilities	4.1	- 12	- 65
Principal payments under finance lease obligations		0	0
Proceeds from the issuance of share capital	Consolidated statement of changes in equity	0	0
Proceeds from the issuance of preference shares	Consolidated statement of changes in equity	0	0
Dividends paid	Consolidated statement of changes in equity	- 183	0
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	- 25	- 25
Net cash from or used in financing activities		- 795	486

(in millions of EUR)	Note (1)	1H 2021	1H 2020
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		43 764	13 584
Cash and cash equivalents at the beginning of the period		47 794	29 118
Effects of exchange rate changes on opening cash and cash equivalents		790	- 1 330
Cash and cash equivalents at the end of the period		92 348	41 372
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	68 034	23 578
Term loans to banks at not more than three months (excl. reverse repos)	4.1	2 407	1 667
Reverse repos with credit institutions and investment firms at not more than three months	4.1	28 118	22 307
Deposits from banks repayable on demand	4.1	- 6 211	- 6 180
Cash and cash equivalents belonging to disposal groups		0	0
Total		92 348	41 372
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.

The net cash from operating activities in 1H 2021 (+44 424 million euros) mainly includes a significant growth of deposits, amongst others thanks to higher certificates of deposit, demand deposits, repos and deposits from credit institutions and investment firms. 1H 2021 also includes 2.5 billion euros additional TLTRO III funding (bringing the total TLTRO III funding at 24.5 billion euros).

The net cash from operating activities in 1H 2020 (+18 112 million euros) is mainly explained by +19.5 billion euros TLTRO III funding.

The net cash from investing activities in 1H 2021 (+135 million euros) is a.o. explained by maturing investments in debt securities at amortised cost.

The net cash from investing activities in 1H 2020 (-5 014 million euros) is mainly explained by additional investments in debt securities at amortised cost.

The net cash flow from financing activities in 1H 2021 (-795 million euros) mainly includes matured covered bonds (1.1 billion euros) and Senior Holdco instruments (750 million euros), and a dividend payment (183 million euros) being partly compensated by the issue of Senior Holdco instruments (1.7 billion euros, including a floating rate note of 450 million euros).

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

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2020)

The condensed interim financial statements of the KBC Group for the period ended 30 June 2021 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 2020, 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 2021, but KBC decided to early adopt in 2020:

- 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 2020 Annual Report, to the section ‘How do we manage our risks?’.

The following IFRS standards were issued but not yet effective in 2021. 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, 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. KBC launched a group-wide project to implement IFRS 17 in 2018. The project is composed of sub-projects such as data delivery, local reporting, impact on business and strategic implications, guidance and support, consolidated reporting and IFRS 17 calculation tool.

  The project is driven by the insurance business and Finance together and involves all departments and entities at group and local level that are affected. In the past year the focus has been on the further development of an unambiguous interpretation of the IFRS 17 standard and the further implementation of an IFRS 17-compliant process for the closing of the accounts. The interpretation of the IFRS 17 standard was gradually adjusted where necessary when new information became available from external sources or internal sources. Thus, we now also take into account the amendments to the original standard that were published by the IASB in June 2020.

  The EFRAG (European Financial Reporting Advisory Group) final endorsement advice on IFRS 17 including the June 2020 amendments was submitted to the European Commission on March 31, 2021. Similar to the draft endorsement advice, in their final advice EFRAG Board members did not reach a consensus on the annual cohort requirement for specific types of insurance contracts. On 16 July 2021, the Accounting Regulatory Committee (ARC) voted in favor of endorsing IFRS 17 'Insurance Contracts' for use in the European Union. Final endorsement is currently expected in the fourth quarter of 2021. A solution for the annual cohort issue for certain types of insurances contracts is included in this endorsement.

- 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 2020)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2020.

Main exchange rates used:

	Exchange rate at 30-06-2021		Average exchange rate in 1H 2021	
	1 EUR = … … currency	Changes relative to 31-12-2020 'ositive: appreciation relative to EUR ɛgative: depreciation relative to EUR	1 EUR = … … currency	Changes relative to the average 1H 2020 Positive: appreciation relative to EUR Negative: depreciation relative to EUR
CZK	25.488	3%	25.927	2%
HUF	351.68	3%	358.06	-3%

COVID-19 (note 1.4)

Introduction

The Coronavirus pandemic significantly affected the global economy in 2020. The substantial deterioration in the economic outlook has resulted in 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 12.7 billion euros in loan payment deferrals by the end of June 2021 (according to the EBA definition and including opt-out of Hungary). A large part of these moratoria have meanwhile expired (95% by the end of June 2021, excl. opt-out of Hungary). For 97% of the loan amount under expired moratoria, payments meanwhile were resumed. In addition, we granted some 0.9 billion euros in loans that fall under the various public Covid-19 guarantee schemes in our home markets.

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

In Hungary, the blanket moratorium was extended another time under the same conditions, till September 2021. The extension by 3 months resulted in a modification loss booked in 2Q 2021 of 2 million euros (see note 3.10).

Regarding the public Covid-19 guarantee schemes, a second extension has been approved by the Belgium government of the Covid II program (launched in 3Q 2020 of up to 10 billion EUR) to cover losses on future SME loans granted before 31 December 2021 (instead of 30 June 2021). This government guarantee covers 80% of all losses, in total.

Otherwise, there are no changes in the different government and sector measures in our core countries in 2Q 2021. For the full overview, we refer to the annual report of 2020.

Main Corona related items affecting the results, revaluation reserves, liquidity and solvency

For more information, see the note 1.4 in the annual report of 2020.

Details related to the impact of the Covid-19 crisis on the loan impairments

Referring to the disclosure in our annual report of 2020, our Expected Credit Loss (ECL) models are not able to adequately reflect all the specifics of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis.

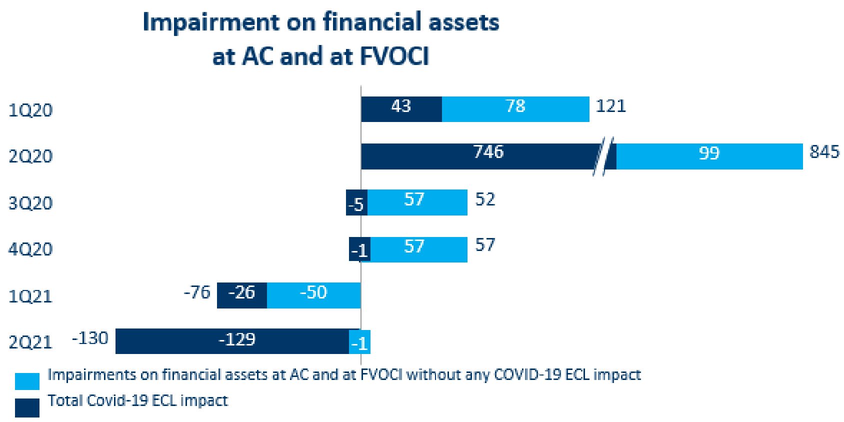
Therefore, an expert-based calculation at portfolio level is required via a management overlay. In the second quarter of 2021, KBC performed an update of its Covid-19 impact assessment which resulted in a total collective Covid-19 ECL of 628 million euros (versus 757 million euros at the end of the first quarter of 2021). The latter implies a ECL decrease of 129 million euros in 2Q 2021 compared to the 26 million euros ECL decrease of 1Q 2021.

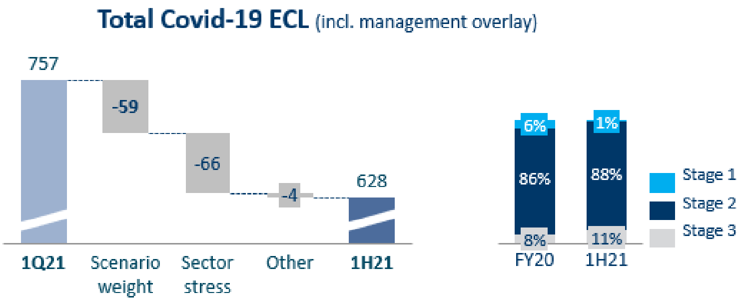
This q-o-q decrease is mainly driven by a change in the applied sector stress which is further explained below causing a decrease of 66 million euros and an update of the scenario probabilities towards 80% for the base-case, 10% for the pessimistic and 10% for the optimistic scenario (versus 60%-30%-10% at the end of 1Q21) resulting in a decrease of 59 million euros.

Adjustment in sector stress factor

As outlined in the disclosure in our annual report of 2020, a sectoral risk effect is incorporated in the calculation of the Covid-19 ECL impact. All exposures in the SME & Corporate portfolio are classified as high, medium or low risk based on the expected impact of the Covid-19 crisis on the sector affected. Based on the latest developments, we redefined the high risk sectors in two groups:

- the more vulnerable part is still risk weighted at 150% (in line with the originally defined high risk sectors);
- the less vulnerable part is risk weighted at 100% (in line with the originally defined medium risk sectors).





The total collective Covid-19 ECL of 628 million euros consists of 1% stage 1, 88% stage 2 and 11% stage 3 impairments. The higher relative share of stage 2 and stage 3 impairments was driven by the decrease in stage 1 impairments resulting from the improvement of the macro-economic assumptions.

Similar to previous quarters, the management overlay is presented mainly as stage 2 when it concerns the existing performing portfolio and stage 3 when it concerns the existing non-performing portfolio. 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.

Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to -0.22% in 1H 2021 and -0.06% excluding collective Covid-19 ECL.

COVID-19 ECL per country – per scenario:

End of June'21	Performing portfolio impact				Non-	1H21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
	Optimistic	*Base*	*Pessimistic*	Probability	Performing							
EUR m	10%	*80%*	*10%*	weigthed	portfolio							
KBC Group	**447**	**542**	**837**	**562**	**66**	**628**	**-129**	**-26**	**-1**	**-5**	**746**	**43**
By country:												
Belgium	283	300	391	307	20	327	-66	-20	3	-3	378	35
Czech Republic	87	123	175	125	9	134	-30	2	-5	9	152	6
Slovakia	21	30	43	30	0	30	-6	-1	0	-3	39	1
Hungary	25	42	78	44	0	44	-9	-3	2	-1	54	1
Bulgaria	6	15	23	15	5	20	-4	0	1	-5	28	n/a
Ireland	25	32	127	41	32	73	-14	-4	-2	-2	95	n/a
versus 1Q21 :	***501***	***609***	***917***	***691***	***66***	***757***						

COVID-19 ECL sector* driven – per scenario:

KBC Group	Performing portfolio				
Base-case scenario	*High risk sectors*	*Medium risk*	*Low risk sectors*	*Mortgages & other retail*	TOTAL
EUR m	*150%*	*100%*	*50%*		
6M21					
Base-case scenario	**45**	**319**	**55**	**123**	**542**
Optimistic scenario	37	264	49	97	447
Pessimistic scenario	65	446	74	252	837

Economic scenarios

The economic outlook is more optimistic compared to the first quarter of 2021 driven by the largely resolved uncertainties regarding vaccine supplies in the EU. Recent developments increasingly confirm a re-opening of the economy aligned with the increase of the vaccination rate. However, the outlook remains subject to considerable risks, largely related to new virus variants undermining effectiveness of existing vaccines and shortfalls in vaccination demand. 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, with the following probabilities assigned for the second quarter of 2021: 80% for the base-case, 10% for the pessimistic and 10% for the optimistic scenario (versus 60% - 30% -10% at the end of 1Q 2021).

The following table (in line with the KBC forecast of June 2021) gives these three scenarios for three key indicators (GDP growth, unemployment rate and house price index):

Macroeconomic scenario – key indicators (June 2021)	**2021**			**2022**		
Scenario	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Real GDP growth						
Euro area	5.2%	3.9%	2.1%	5.6%	4.4%	2.2%
Belgium	5.8%	4.5%	3.3%	5.1%	4.1%	2.1%
Czech Republic	4.2%	3.5%	1.8%	5.8%	4.5%	1.7%
Hungary	5.5%	4.5%	3.8%	6.0%	5.3%	4.0%
Slovakia	5.0%	3.7%	2.5%	5.2%	4.5%	3.0%
Bulgaria	4.0%	3.0%	1.0%	4.0%	4.0%	2.0%
Ireland	8.0%	5.0%	1.0%	7.0%	4.0%	1.0%
Unemployment rate (*)						
Belgium	6.5%	7.0%	7.5%	6.2%	6.7%	7.2%
Czech Republic	3.1%	3.4%	4.2%	2.9%	3.2%	4.0%
Hungary	3.8%	4.0%	4.5%	3.5%	3.7%	4.2%
Slovakia	8.5%	9.5%	10.0%	7.8%	8.0%	9.5%
Bulgaria	5.0%	5.0%	8.0%	4.3%	4.8%	7.0%
Ireland	6.5%	8.0%	14.0%	5.0%	6.0%	10.0%
House price index						
Belgium	3.5%	1.0%	-1.0%	3.0%	1.5%	-3.0%
Czech Republic	8.1%	6.2%	2.0%	5.2%	2.5%	-3.5%
Hungary	5.5%	3.5%	0.0%	6.0%	3.0%	-1.0%
Slovakia	8.0%	4.0%	2.0%	5.0%	2.5%	-2.0%
Bulgaria	4.5%	4.0%	3.8%	4.0%	3.8%	3.5%
Ireland	5.0%	3.0%	0.0%	5.0%	2.0%	-1.0%

Note:
(*) Eurostat definition, except for Ireland (national Covid-19 unemployment rate)

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2020)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2020.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
1H 2021									
Net interest income	1 263	435	470	*144*	*115*	*69*	*142*	- 6	**2 162**
Non-life insurance (before reinsurance)	283	73	86	*29*	*20*	*37*	*0*	9	**451**
Earned premiums	582	160	166	*72*	*29*	*64*	*0*	7	**916**
Technical charges	- 299	- 87	- 80	*- 43*	*- 10*	*- 27*	*0*	2	**- 464**
Life insurance (before reinsurance)	- 25	29	19	*4*	*7*	*8*	*0*	0	**22**
Earned premiums	416	94	54	*19*	*16*	*19*	*0*	0	**564**
Technical charges	- 442	- 65	- 35	*- 15*	*- 9*	*- 11*	*0*	0	**- 542**
Ceded reinsurance result	- 4	5	- 9	*- 2*	*- 5*	*- 2*	*0*	- 5	**- 12**
Dividend income	21	1	0	*0*	*0*	*0*	*0*	3	**25**
Net result from financial instruments at fair value through profit or loss	158	36	24	*24*	*3*	*0*	*- 3*	- 62	**156**
Net realised result from debt instruments at fair value through OCI	2	- 1	0	*0*	*0*	*0*	*0*	0	**1**
Net fee and commission income	649	105	140	*92*	*35*	*15*	*- 2*	- 3	**890**
Net other income	74	13	5	*1*	*2*	*2*	*- 1*	- 1	**91**
TOTAL INCOME	2 421	695	735	*294*	*177*	*129*	*135*	- 65	**3 786**
Operating expenses	- 1 359	- 415	- 485	*- 175*	*- 128*	*- 72*	*- 109*	- 33	**- 2 293**
Impairment	121	62	23	*19*	*3*	*1*	*0*	- 5	**200**
of which on FA at amortised cost and at fair value through OCI	118	66	27	*22*	*3*	*2*	*0*	- 5	**206**
Share in results of associated companies and joint ventures	0	- 1	0	*0*	*0*	*0*	*0*	0	**- 1**
RESULT BEFORE TAX	1 183	340	273	*137*	*51*	*58*	*26*	- 103	**1 693**
Income tax expense	- 275	- 50	- 44	*- 20*	*- 13*	*- 6*	*- 5*	27	**- 342**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	908	291	228	*118*	*38*	*52*	*21*	- 76	**1 350**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	908	291	228	*118*	*38*	*52*	*21*	- 76	**1 350**
1H 2020									
Net interest income	1 275	587	438	*127*	*100*	*72*	*140*	- 22	**2 278**
Non-life insurance (before reinsurance)	278	69	85	*32*	*15*	*38*	*0*	7	**440**
Earned premiums	564	148	161	*73*	*25*	*62*	*0*	7	**879**
Technical charges	- 285	- 79	- 76	*- 42*	*- 10*	*- 24*	*0*	1	**- 439**
Life insurance (before reinsurance)	- 37	26	17	*3*	*6*	*8*	*0*	0	**6**
Earned premiums	424	97	53	*17*	*17*	*19*	*0*	- 1	**574**
Technical charges	- 461	- 70	- 36	*- 13*	*- 12*	*- 11*	*0*	0	**- 568**
Ceded reinsurance result	- 19	0	- 6	*- 2*	*- 1*	*- 3*	*0*	4	**- 21**
Dividend income	27	1	0	*0*	*0*	*0*	*0*	2	**30**
Net result from financial instruments at fair value through profit or loss	- 68	- 35	9	*12*	*- 1*	*0*	*- 2*	- 39	**- 132**
Net realised result from debt instruments at fair value through OCI	1	0	1	*0*	*1*	*0*	*0*	0	**3**
Net fee and commission income	579	106	135	*95*	*29*	*12*	*- 1*	- 3	**816**
Net other income	79	12	11	*2*	*5*	*2*	*0*	0	**102**
TOTAL INCOME	2 114	766	692	*270*	*154*	*129*	*137*	- 51	**3 522**
Operating expenses	- 1 349	- 385	- 463	*- 170*	*- 110*	*- 76*	*- 107*	- 45	**- 2 242**
Impairment	- 586	- 184	- 236	*- 66*	*- 48*	*- 28*	*- 95*	9	**- 997**
of which on FA at amortised cost and at fair value through OCI	- 574	- 178	- 222	*- 54*	*- 48*	*- 26*	*- 95*	9	**- 966**
Share in results of associated companies and joint ventures	- 6	- 1	0	*0*	*0*	*0*	*0*	0	**- 7**
RESULT BEFORE TAX	174	196	- 8	*34*	*- 4*	*26*	*- 66*	- 86	**276**
Income tax expense	- 55	- 30	- 3	*- 9*	*1*	*- 3*	*8*	18	**- 71**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	119	165	- 11	*25*	*- 3*	*24*	*- 58*	- 68	**205**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	119	165	- 11	*25*	*- 3*	*24*	*- 58*	- 68	**205**

Other notes

Net interest income (note 3.1 in the annual accounts 2020)

(in millions of EUR)	1H 2021	1H 2020	2Q 2021	1Q 2021	2Q 2020
Total	2 162	2 278	1 094	1 068	1 083
Interest income	3 009	3 332	1 529	1 480	1 497
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	2 273	2 568	1 148	1 124	1 181
Financial assets at FVOCI	147	163	73	74	80
Hedging derivatives	137	235	53	84	101
Financial liabilities (negative interest)	194	55	98	96	34
Other	14	6	9	6	3
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	11	5	5	6	3
Financial assets held for trading	233	300	142	91	95
Of which economic hedges	*216*	*279*	*133*	*83*	*82*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	- 847	-1 054	- 434	- 413	- 415
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 229	- 455	- 118	- 111	- 171
Financial assets (negative interest)	- 117	- 18	- 61	- 56	- 8
Hedging derivatives	- 286	- 335	- 121	- 165	- 158
Other	- 2	- 3	- 1	- 1	- 1
Interest expense on other financial instruments					
Financial liabilities held for trading	- 206	- 222	- 130	- 76	- 67
Of which economic hedges	*- 187*	*- 205*	*- 120*	*- 67*	*- 60*
Other financial liabilities at FVPL	- 6	- 19	- 3	- 3	- 9
Net interest expense relating to defined benefit plans	- 1	- 2	0	0	- 1

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 (for more information on the TLTRO III, see note 'Financial assets and liabilities: breakdown by portfolio and product' (note 4.1) further in this report).

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2020)

(in millions of EUR)	1H 2021	1H 2020	2Q 2021	1Q 2021	2Q 2020
Total	156	- 132	29	127	253
Breakdown by driver					
Market value adjustments (xVA)	37	- 87	12	25	100
MTM ALM derivatives	- 59	- 63	- 52	- 7	- 3
Financial instruments to which the overlay is applied	59	- 51	24	35	31
Dealing room and other	119	68	44	75	126

The result from financial instruments at fair value through profit or loss in 2Q 2021 is 98 million euros lower compared to 1Q 2021. The quarter-on-quarter decrease is due to:

- Lower dealing room and other income in 2Q 2021 in Belgium and in Czech Republic
- More negative MTM ALM derivatives in 2Q 2021 compared to 1Q 2021
- Lower positive impact from market value adjustments (xVA) in 2Q 2021 compared to 1Q 2021, mainly as a result of less positive credit and funding value adjustments mainly due to increased IRS hedging-transactions deals in CSOB CZ
- Lower net result on equity instruments (insurance) in 2Q 2021 compared to 1Q 2021, driven by lower realised gains on shares.

The result from financial instruments at fair value through profit or loss in 1H 2021 is 288 million euros higher compared to 1H 2020, for a large part explained by:

- Positive impact from market value adjustments in 1H 2021 compared to negative impact in 1H 2020. The positive amount in 1H 2021 can be explained for a large part by a decreasing credit exposure. The substantial negative amount in 1H 2020 was caused mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates, decreasing equity markets and increasing counterparty credit spreads and KBC funding spreads in 1Q 2020. This was only partly recovered in 2Q 2020, with decreasing counterparty credit spreads and KBC funding spreads, while further decrease of long-term interest rates is levelled out by increasing equity markets

- Positive net result on equity instruments (insurance) in 1H 2021 compared to a negative net result in 1H 2020, the latter was driven by higher impairments on equity instruments due to decreasing equity markets in 1Q 2020
- Higher dealing room and other income in 1H 2021 in Belgium and in Czech Republic.

Net fee and commission income (note 3.5 in the annual accounts 2020)

(in millions of EUR)	1H 2021	1H 2020	2Q 2021	1Q 2021	2Q 2020
Total	890	816	450	441	388
Fee and commission income	1 289	1 188	650	639	559
Fee and commission expense	- 399	- 371	- 200	- 198	- 172
Breakdown by type					
Asset Management Services	572	507	288	284	237
Fee and commission income	608	535	308	300	250
Fee and commission expense	- 36	- 28	- 19	- 16	- 13
Banking Services	463	448	234	229	219
Fee and commission income	638	610	324	315	291
Fee and commission expense	- 175	- 162	- 90	- 85	- 72
Distribution	- 145	- 138	- 72	- 72	- 68
Fee and commission income	43	42	19	24	19
Fee and commission expense	- 188	- 181	- 91	- 97	- 86

The building blocks of the 2020 net fee and commission income figures were restated, resulting in a shift of about of 20 million euros for full year 2020 or about 5 million euros per quarter from Banking Services to Asset Management Services, related to fee and commission income from CSOB CZ Pension company.

Net other income (note 3.6 in the annual accounts 2020)

(in millions of EUR)	1H 2021	1H 2020	2Q 2021	1Q 2021	2Q 2020
Total	91	102	38	53	53
of which gains or losses on					
Sale of financial assets measured at amortised cost	- 1	10	- 1	0	2
Repurchase of financial liabilities measured at amortised cost	0	0	- 2	1	0
of which other, including:	92	93	41	51	51
Income from operational leasing activities	46	41	26	20	20
Income from VAB Group	28	25	13	15	13

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2020)

(in millions of EUR)	Life	Non-life	Non-technical account	Total
1H 2021				
Earned premiums, insurance (before reinsurance)	564	925	-	1 490
of which change in provision unearned premiums	- 1	- 211	-	- 212
Technical charges, insurance (before reinsurance)	- 542	- 465	-	- 1 007
Claims paid	- 565	- 400	-	- 966
Changes in technical provisions	1	- 59	-	- 58
Other technical result	23	- 6	-	17
Net fee and commission income	0	- 179	-	- 180
Ceded reinsurance result	- 1	- 12	-	- 12
General administrative expenses	- 82	- 125	- 1	- 208
Internal claims settlement expenses	- 4	- 30	-	- 34
Indirect acquisition costs	- 15	- 34	-	- 48
Administrative expenses	- 63	- 62	-	- 125
Investment management fees	0	0	- 1	- 1
Technical result	- 60	145	- 1	83
Investment Income (*)	198	50	39	286
Technical-financial result	138	194	38	370
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	138	194	38	370
Income tax expense	-	-	-	- 69
RESULT AFTER TAX	-	-	-	300
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**300**
1H 2020				
Earned premiums, insurance (before reinsurance)	574	888	-	1 461
of which change in provision unearned premiums	- 1	- 188		- 189
Technical charges, insurance (before reinsurance)	- 568	- 440	-	- 1 008
Claims paid	- 570	- 416	-	- 986
Changes in technical provisions	16	7	-	24
Other technical result	- 14	- 31	-	- 45
Net fee and commission income	- 1	- 171	-	- 172
Ceded reinsurance result	- 1	- 20	-	- 21
General administrative expenses	- 81	- 127	- 1	- 209
Internal claims settlement expenses	- 4	- 31	-	- 35
Indirect acquisition costs	- 17	- 37	-	- 54
Administrative expenses	- 61	- 59	-	- 119
Investment management fees	0	0	- 1	- 1
Technical result	- 77	130	- 1	52
Investment Income (*)	142	25	22	190
Technical-financial result	65	155	21	241
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	65	155	21	241
Income tax expense	-	-	-	- 65
RESULT AFTER TAX	-	-	-	176
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**176**

(*)1H 2021 consists of (in millions of EUR): Net interest income (200), Net Dividend income (17), Net result from financial instruments at fair value through profit and loss (68) and Net result from financial instruments at fair value through OCI (1).

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

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 2020 annual accounts).

In 1H 2020 the technical result non-life was negatively impacted by storms in Belgium, Czech Republic and Hungary in 1Q 2020 for an amount of -51 million euros (before reinsurance), versus storm effect in 1H 2021 of -24 million euros (before reinsurance), for a large part driven by a tornado in the Czech Republic in June.

Starting mid of July 2021, Belgium (and in particularly the eastern part) was severely hit by several floods. This will have a negative impact on the results of KBC in 3Q 2021 (see Post-balance sheet events - note 6.8).

Operating expenses – income statement (note 3.8 in the annual accounts 2020)

The operating expenses for 2Q 2021 include 30 million euros related to bank (and insurance) levies (424 million euros in 1Q 2021; 27 million euros in 2Q 2020). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

In 2Q 2021 an exceptional Covid bonus for all staff members was decided for in total 18 million euros (5.1 million euros in Business Unit Belgium, 3.8 million euros in Business Unit Czech Republic, 2.5 million euros in Hungary, 2.4 million euros in Slovakia, 1.9 million euros in Bulgaria, 0.4 million euros in Ireland and 1.5 million euros in Group Centre).

Impairment – income statement (note 3.10 in the annual accounts 2020)

(in millions of EUR)	1H 2021	1H 2020	2Q 2021	1Q 2021	2Q 2020
Total	**200**	**- 997**	**123**	**77**	**- 857**
Impairment on financial assets at AC and at FVOCI	206	- 966	130	76	- 845
Of which impairment on financial assets at AC	205	- 962	130	75	- 842
By product					
Loans and advances	185	- 948	115	70	- 837
Debt securities	2	0	1	1	0
Off-balance-sheet commitments and financial guarantees	18	- 14	14	4	- 5
By type					
Stage 1 (12-month ECL)	44	- 60	16	28	- 52
Stage 2 (lifetime ECL)	166	- 663	153	13	- 618
Stage 3 (non-performing; lifetime ECL)	0	- 236	- 32	32	- 171
Purchased or originated credit impaired assets	- 5	- 3	- 7	2	- 2
Of which impairment on financial assets at FVOCI	1	- 4	0	1	- 3
Debt securities	1	- 4	0	1	- 3
Stage 1 (12-month ECL)	2	- 1	0	2	- 1
Stage 2 (lifetime ECL)	- 2	- 3	- 1	- 1	- 2
Stage 3 (non-performing; lifetime ECL)	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 5	- 32	- 6	1	- 12
Intangible fixed assets (other than goodwill)	0	- 2	0	0	- 2
Property, plant and equipment (including investment property)	- 1	- 1	- 4	3	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 4	- 29	- 2	- 2	- 9

The impairments on financial assets at AC in 1H 2021 include +155 million euros collective Covid-19 ECL impact (of which +26m in 1Q21 and +129 million euros in 2Q 2021) and -789 million euros in 1H 2020 (of which -43 million euros in 1Q 2020 and -746 million euros in 2Q 2020). For more information, see note 1.4 of this report.

The impairments on financial assets at AC in 1H 2021 also include 51 million euros net releases related to a number of corporate files mainly in Belgium and Czech Republic. In 1H 2020 this also includes 177 million euros additional impairments attributable mainly to loan loss impairments in Belgium due to a number of corporate files.

The impairment on other (Other) included -2 million euros in 1H 2021 related to modification losses in Hungary and -27 million euros in 1H 2020 (respectively -18 and -9 million euros in 1Q and 2Q 2020) related to modification losses in Belgium, Czech Republic and Hungary. For more information, see note 1.4.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2020)

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO	Hedging deriva-tives	Total
FINANCIAL ASSETS, 30-06-2021								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 308	0	2	0	1	0	0	**5 311**
of which repayable on demand and term loans at not more than three months								***2 407***
Loans and advances to customers (excl. reverse repos)	163 832	0	512	0	0	0	0	**164 344**
Trade receivables	1 894	0	0	0	0	0	0	**1 894**
Consumer credit	5 804	0	367	0	0	0	0	**6 171**
Mortgage loans	74 629	0	145	0	0	0	0	**74 774**
Term loans	70 328	0	0	0	0	0	0	**70 328**
Finance lease	5 774	0	0	0	0	0	0	**5 774**
Current account advances	4 851	0	0	0	0	0	0	**4 851**
Other	553	0	0	0	0	0	0	**553**
Reverse repos	29 404	0	0	0	1 374	0	0	**30 778**
with credit institutions and investment firms	28 513	0	0	0	1 374	0	0	**29 886**
with customers	892	0	0	0	0	0	0	**892**
Equity instruments	0	303	9	1 397	492	0	0	**2 202**
Investment contracts (insurance)	0	0	14 229	0	0	0	0	**14 229**
Debt securities issued by	49 031	16 542	55	0	3 268	0	0	**68 896**
Public bodies	43 215	11 499	0	0	3 149	0	0	**57 863**
Credit institutions and investment firms	3 668	2 127	0	0	39	0	0	**5 834**
Corporates	2 148	2 916	55	0	80	0	0	**5 200**
Derivatives	0	0	0	0	4 594	0	152	**4 746**
Other	815	0	0	0	0	0	0	**815**
Total	248 390	16 846	14 807	1 397	9 728	0	152	**291 320**
FINANCIAL ASSETS, 31-12-2020								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 343	0	0	0	0	0	0	**6 343**
of which repayable on demand and term loans at not more than three months								**1 393**
Loans and advances to customers (excl. reverse repos)	159 234	0	387	0	0	0	0	**159 621**
Trade receivables	1 686	0	0	0	0	0	0	**1 686**
Consumer credit	5 476	0	273	0	0	0	0	**5 749**
Mortgage loans	71 841	0	109	0	0	0	0	**71 950**
Term loans	69 477	0	5	0	0	0	0	**69 482**
Finance lease	5 747	0	0	0	0	0	0	**5 747**
Current account advances	4 285	0	0	0	0	0	0	**4 285**
Other	722	0	0	0	0	0	0	**722**
Reverse repos	27 628	0	0	0	0	0	0	**27 628**
with credit institutions and investment firms	27 444	0	0	0	0	0	0	**27 444**
with customers	184	0	0	0	0	0	0	**184**
Equity instruments	0	294	7	1 276	489	0	0	**2 067**
Investment contracts (insurance)	0	0	13 830	0	0	0	0	**13 830**
Debt securities issued by	48 965	18 157	53	0	2 542	0	0	**69 717**
Public bodies	42 432	12 301	0	0	2 479	0	0	**57 212**
Credit institutions and investment firms	3 902	2 569	0	0	19	0	0	**6 490**
Corporates	2 631	3 286	53	0	45	0	0	**6 014**
Derivatives	0	0	0	0	5 659	0	160	**5 818**
Other	1 358	0	0	0	4	0	0	**1 361**
Total	243 527	18 451	14 277	1 276	8 695	0	160	**286 386**

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total
FINANCIAL LIABILITIES, 30-06-2021					
Deposits from credit institutions and investment firms (excl. repos)	40 835	0	0	0	**40 835**
of which repayable on demand					**6 211**
Deposits from customers and debt securities (excl. repos)	241 883	51	1 370	0	**243 304**
Demand deposits	110 365	0	0	0	**110 365**
Time deposits	9 351	12	107	0	**9 469**
Savings accounts	78 019	0	0	0	**78 019**
Special deposits	3 089	0	0	0	**3 089**
Other deposits	478	0	0	0	**478**
Certificates of deposit	23 074	0	4	0	**23 079**
Savings certificates	343	0	0	0	**343**
Non-convertible bonds	14 967	39	1 128	0	**16 135**
Non-convertible subordinated liabilities	2 196	0	130	0	**2 327**
Repos	16 330	266	0	0	**16 596**
with credit institutions and investment firms	14 174	254	0	0	**14 428**
with customers	2 156	12	0	0	**2 169**
Liabilities under investment contracts	0	0	13 128	0	**13 128**
Derivatives	0	4 125	0	1 061	**5 186**
Short positions	0	1 741	0	0	**1 741**
In equity instruments	0	17	0	0	**17**
In debt securities	0	1 724	0	0	**1 724**
Other	2 476	0	0	0	**2 476**
Total	301 525	6 183	14 498	1 061	**323 266**
FINANCIAL LIABILITIES, 31-12-2020					
Deposits from credit institutions and investment firms (excl. repos)	34 605	0	0	0	**34 605**
of which repayable on demand					**4 604**
Deposits from customers and debt securities (excl. repos)	213 801	101	1 528	0	**215 430**
Demand deposits	100 986	0	0	0	**100 986**
Time deposits	11 768	16	117	0	**11 902**
Savings accounts	74 862	0	0	0	**74 862**
Special deposits	2 543	0	0	0	**2 543**
Other deposits	260	0	0	0	**260**
Certificates of deposit	5 412	0	5	0	**5 417**
Savings certificates	454	0	0	0	**454**
Non-convertible bonds	15 319	85	1 264	0	**16 668**
Non-convertible subordinated liabilities	2 196	0	142	0	**2 338**
Repos	3 570	0	0	0	**3 570**
with credit institutions and investment firms	3 288	0	0	0	**3 288**
with customers	282	0	0	0	**282**
Liabilities under investment contracts	0	0	12 724	0	**12 724**
Derivatives	0	5 362	0	1 319	**6 681**
Short positions	0	1 694	0	0	**1 694**
In equity instruments	0	12	0	0	**12**
In debt securities	0	1 682	0	0	**1 682**
Other	2 077	0	0	0	**2 077**
Total	254 053	7 157	14 252	1 319	**276 781**

Deposits from credit institutions and investment firms: includes funding from the ECB's TLTRO programme (in 1H 2021 an additional amount of 2.5 billion euros was drawn, bringing the total TLTRO III funding at 24.5 billion euros). KBC applies the effective interest rate principle to these deposits, changing it when we would no longer meet the terms (similar to a floating rate instrument) in accordance with IFRS 9 (Section B.5.4.5). KBC's management is confident that KBC will meet the related conditions (amongst others the level of lending to non-financial corporates and households) and therefore interest was recognised accordingly.

Impaired financial assets (note 4.2.1 in the annual accounts 2020)

(in millions of EUR)	30-06-2021			31-12-2020		
	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 (*)	201 937	- 3 392	198 545	196 900	- 3 695	193 205
Stage 1 (12-month ECL)	177 135	- 131	177 004	172 059	- 168	171 891
Stage 2 (lifetime ECL)	19 336	- 834	18 502	19 423	- 992	18 431
Stage 3 (lifetime ECL)	4 775	- 2 300	2 475	5 278	- 2 517	2 761
Purchased or originated credit impaired assets (POCI)	691	- 127	564	139	- 18	121
Debt Securities	49 038	- 8	49 031	48 974	- 9	48 965
Stage 1 (12-month ECL)	49 034	- 5	49 029	48 935	- 6	48 929
Stage 2 (lifetime ECL)	0	0	0	36	- 1	35
Stage 3 (lifetime ECL)	4	- 2	2	3	- 2	1
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	16 551	- 9	16 542	18 166	- 9	18 157
Stage 1 (12-month ECL)	16 459	- 4	16 455	18 028	- 6	18 022
Stage 2 (lifetime ECL)	92	- 5	87	138	- 3	135
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 169.6, 25.7 and 5.9 billion euros in stage 1,2 and 3 (or a net staging of 4% 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.

The increase of the Purchased or originated credit impaired assets within the loans and advances category is to a large extent attributable to a reclassification from Stage 3 related to an improved POCI identification in light of the new regulatory reporting requirements.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2020)

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 2020.

(in millions of EUR)				30-06-2021				31-12-2020
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	15 283	317	604	16 204	14 722	344	487	15 553
Held for trading	3 356	5 459	913	9 728	2 647	5 081	967	8 695
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	13 344	2 944	558	16 846	14 513	3 364	575	18 451
Hedging derivatives	0	152	0	152	0	160	0	160
Total	31 983	8 872	2 075	42 930	31 881	8 948	2 030	42 859
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 702	2 914	1 567	6 183	1 697	4 270	1 191	7 157
Designated at fair value	13 128	133	1 237	14 498	12 724	377	1 151	14 252
Hedging derivatives	0	1 061	0	1 061	0	1 319	0	1 319
Total	14 830	4 107	2 805	21 742	14 420	5 966	2 342	22 728

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2020)

During 1H 2021, KBC transferred about 58 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 215 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 2020)

In the first six months of 2021 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 125 million euros, primarily due to new transactions
- Financial assets held for trading: the fair value of derivatives decreased by 43 million euros, primarily due to instruments that had reached maturity and transfers out of level 3, only partly offset by changes in fair value, transfers into level 3 and new transactions.
- Financial assets measured at fair value through OCI: the fair value of equity instruments increased by 47 million euros, mostly due to revaluation of unconsolidated equity positions. The fair value of debt securities decreased by 64 million euros, mostly due to transfers out of level 3, only partially offset by transfers into level 3.
- Financial liabilities held for trading: the fair value of derivatives increased by 422 million euros, mainly due to a combination of changes in fair value, new transactions and transfers into level 3, only partially offset by instruments that had reached maturity, sales and transfers out of level 3. The fair value of debt securities issued decreased by 46 million euros, primarily due to instruments that reached maturity.
- Financial liabilities designated at fair value: the fair value of debt securities issued increased by 86 million euros, mostly due to transfers into level 3.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2020)

Quantities	30-06-2021	31-12-2020
Ordinary shares	**416 694 558**	**416 694 558**
of which ordinary shares that entitle the holder to a dividend payment	*416 694 558*	*416 694 558*
of which treasury shares	*302*	*20 795*
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 2020)

In 1H 2021 (upcoming changes) :
On 11 February 2021, KBC Group and the Netherlands-based NN Group reached agreement for KBC's Bulgarian subsidiary, DZI, to acquire NN's Bulgarian pension and life insurance businesses for 77.7 million euros. The deal covered all the shares of **NN Pension Insurance Company EAD (Bulgaria)** and all the assets and liabilities of **NN Insurance Co. Ltd. – Sofia Branch (Bulgaria)**. In the meantime, the deal received regulatory approval and is finalised as communicated the 30st of July 2021 (see post-balance sheet events, note 6.8). The impact of the deal on KBC's solid capital position will be immaterial.

On 16 April 2021, **KBC Bank Ireland** has entered into a Memorandum of Understanding (MoU) with Bank of Ireland, expressing the parties' intention to explore a route that could potentially lead to a transaction whereby Bank of Ireland commits to acquire substantially all of KBC Bank Ireland's performing loan assets and liabilities. The transaction remains subject to customary due diligence, further negotiation and agreement of final terms and binding documentation, as well as obtaining all appropriate internal and external regulatory approvals.
KBC Bank Ireland's remaining non-performing mortgage loan portfolio, which is not part of the MoU, is currently being analysed whereby KBC Group is reviewing its options to divest this NPL portfolio. Execution of these two transactions would ultimately result in KBC Group's withdrawal from the Irish market.

During the ongoing discussions, KBC Bank Ireland remains committed to offering its retail banking and insurance services of the highest level through its digital channels and hubs, for its existing and new customers.

In 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.

On 26 November 2020, we completed the acquisition of 99.44% of **OTP Banka Slovensko** for EUR 64 million, without any contingent consideration:

- The impact was included in the consolidated balance sheet figures of 4Q 2020. The results of OTP Banka Slovensko are fully consolidated in each line of the income statement as of 1 January 2021.
- KBC did not recognise any goodwill or badwill in its consolidated financial statements at the end of 2020 (unchanged at the end of June 2021) as the acquisition price was close to OTP's equity (taking into account specific negative fair value adjustments identified by KBC during the due diligence process). If needed, IFRS 3 (Business Combinations) requires to adjust the goodwill amount during the 12-month period from the acquisition date. Therefore, the goodwill amount is temporary and subject to change (mainly related to fair value adjustments on the loan portfolio, which will be further screened in the coming months).
- The acquisition had a limited impact on KBC's capital position (-0.2% on common equity ratio).

The table below sets out the income statement of 1H 2021 of OTP Banka Slovensko as included in the consolidated income statement of KBC:

(in millions of EUR)	1H 2021	2Q 2021
Net interest income	14	7
Dividend income	0	0
Net result from financial instruments at fair value through profit or loss	0	0
Net realised result from debt instruments at fair value through OCI	0	0
Net fee and commission income	4	2
Net other income	0	0
TOTAL INCOME	18	9
Operating expenses	- 16	- 8
Staff expenses	*- 10*	*- 5*
General administrative expenses	*- 6*	*- 3*
Depreciation and amortisation of fixed assets	*0*	*1*
Impairment	0	2
on financial assets at AC and at FVOCI	*0*	*2*
on goodwill	*0*	*0*
other	*0*	*0*
Share in results of associated companies and joint ventures	0	0
RESULT BEFORE TAX	1	3
Income tax expense	- 2	- 1
RESULT AFTER TAX	- 1	2
attributable to equity holders of the parent	**- 1**	**2**

Post-balance sheet events (note 6.8 in the annual accounts 2020)

Significant non-adjusting events between the balance sheet date (30 June 2021) and the publication of this report (5 August 2021):

- On 30 July 2021, KBC and the Netherlands-based NN Group finalised the agreement announced on 11 February 2021 for KBC's Bulgarian subsidiary, DZI – Life Insurance EAD, to acquire:
    - all the shares of NN Pension Insurance Company EAD (Bulgaria)
    - all the assets and liabilities of NN Insurance Co. Ltd. – Sofia Branch (Bulgaria)

  The deal, which received regulatory approval, has a total consideration of 77.7 million euros and will only have an immaterial impact on KBC's solid capital position. Upon closure, KBC Insurance's Solvency II ratio – which stood at an excellent 221% at the end of 2Q 2021 - will be reduced by approximately 6 percentage points, but remain well above regulatory requirements, while KBC Group's CET1 ratio will be maintained at an outstanding level (17.5% in 2Q 2021, Basel III, fully loaded – Danish compromise).
  The acquisition is fully in line with the strategy of KBC Group and allows UBB and DZI to further increase their cross-selling potential through their already well-established bank-insurance presence in the Bulgarian market, to serve more customers, and to benefit from economies of scale and increased visibility.

- Starting mid July, Belgium (and particularly the eastern part) was severely hit by several floods. This will have a negative impact of KBC in 3Q 2021 in the non-life technical result. The true extent of the human loss and material damage caused by these extreme weather conditions will become clear in the coming weeks. Nevertheless, the first estimated impact after reinsurance (before tax) is around -41 million euros (under current legislation).

- On 11 July 2021 the final notarial deed of sale for the KBC Tower was signed, transferring ownership of the Antwerp landmark to the Katoen Natie Group.

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021 AND FOR THE SIX-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 June 2021 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the six-month period then ended, and the interim consolidated statement of changes in equity and consolidated cash flow statement for the six-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 368.596 million and a consolidated profit (attributable to equity holders of the parent) for the six-month period then ended of EUR 1.350 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, 4 August 2021

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Roland Jeanquart

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 2Q and 1H 2021

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. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities in the investment portfolio are included if they are issued by companies or banks. Government bonds are not included. The loan portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section of the annual accounts 2020. For more information, please refer to 'Details of ratios and terms on KBC Group level'.

A snapshot of the banking portfolio is shown in the table below. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit.

Credit risk: loan portfolio overview	30-06-2021	31-12-2020
Total loan portfolio (in billions of EUR) [1]		
Amount outstanding and undrawn	229	225
Amount outstanding	182	181
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)		
Belgium	63.8%	64.0%
Czech Republic	18.2%	17.6%
International Markets	16.8%	16.6%
Group Centre	1.2%	1.8%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)		
Private individuals	44.3%	43.0%
Finance and insurance	6.1%	8.0%
Governments	3.0%	2.9%
Corporates	46.7%	46.1%
Services	10.7%	10.8%
Distribution	7.1%	6.9%
Real estate	6.1%	6.3%
Building & construction	4.0%	3.9%
Agriculture, farming, fishing	2.8%	2.7%
Automotive	2.4%	2.5%
Food producers	1.8%	1.8%
Electricity	1.5%	1.6%
Metals	1.4%	1.4%
Chemicals	1.4%	1.4%
Machinery & heavy equipment	0.9%	0.9%
Hotels, bars & restaurants	0.8%	0.7%
Shipping	0.7%	0.6%
Oil, gas & other fuels	0.6%	0.5%
Traders	0.5%	0.5%
Electrotechnics	0.5%	0.5%
Textile & apparel	0.5%	0.4%
Other [2]	3.0%	2.9%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)		
Home countries	88.6%	86.7%
Belgium	54.2%	53.2%
Czech Republic	17.2%	16.6%
Ireland	5.8%	5.8%
Slovakia	5.7%	5.7%
Hungary	3.5%	3.3%
Bulgaria	2.2%	2.1%
Rest of Western Europe	6.9%	8.9%
Rest of Central and Eastern Europe	0.2%	0.2%
North America	1.4%	1.4%
Asia	1.5%	1.2%
Other	1.4%	1.6%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)		
Retail	44.3%	42.9%
of which: mortgages	41.0%	39.7%
of which: consumer finance	3.3%	3.2%
SME	21.9%	21.6%
Corporate	33.9%	35.4%

	30-06-2021	31-12-2020
Loan portfolio breakdown by IFRS 9 ECL stage (as % of the outstanding portfolio)		
Stage 1 (credit risk has not increased significantly since initial recognition)	85.1%	85.2%
of which: PD 1 - 4	62.6%	62.5%
of which: PD 5 - 9 including unrated	22.5%	22.7%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	11.6%	11.5%
of which: PD 1 - 4	3.7%	3.6%
of which: PD 5 - 9 including unrated	8.0%	7.9%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	3.2%	3.3%
of which: PD 10 impaired loans	1.6%	1.5%
of which: more than 90 days past due (PD 11+12)	1.7%	1.8%
Impaired loan portfolio (in millions of EUR)		
Impaired loans (PD10 + 11 + 12)	5 896	5 902
of which: more than 90 days past due	3 029	3 220
Impaired loans ratio (%)		
Belgium	2.5%	2.3%
Czech Republic	2.1%	2.3%
International Markets	6.3%	6.9%
Group Centre	19.5%	13.9%
Total	3.2%	3.3%
of which: more than 90 days past due	1.7%	1.8%
Loan loss impairment (in millions of EUR)		
Loan loss Impairment for Stage 1 portfolio	150	191
Loan loss Impairment for Stage 2 portfolio	843	998
Loan loss Impairment for Stage 3 portfolio	2 518	2 638
of which: more than 90 days past due	1 941	2 044
Cover ratio of impaired loans (%)		
Loan loss impairments for stage 3 portfolio / impaired loans	42.7%	44.7%
of which: more than 90 days past due	64.1%	63.5%
Cover ratio of impaired loans, mortgage loans excluded (%)		
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	48.8%	52.3%
of which: more than 90 days past due	74.1%	74.8%
Credit cost ratio (%)		
Belgium	-0.20%	0.57%
Czech Republic	-0.41%	0.67%
International Markets	-0.18%	0.78%
Slovakia	-0.06%	0.50%
Hungary	-0.72%	1.05%
Bulgaria	-0.10%	0.73%
Ireland	0.00%	0.88%
Group Centre	0.41%	-0.23%
Total	-0.22%	0.60%

[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 2020 - 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.

Loan portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium
30-06-2021, in millions of EUR

	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**109 523**			**6 907**			**116 430**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	40 819	37,3%		0	0,0%		40 819	35,1%	
o/w mortgages	39 174	35,8%		0	0,0%		39 174	33,6%	
o/w consumer finance	1 645	1,5%		0	0,0%		1 645	1,4%	
SME	32 656	29,8%		0	0,0%		32 656	28,0%	
corporate	36 049	32,9%		6 907	100,0%		42 956	36,9%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	39 174	35,8%	57%	0	0,0%	-	39 174	33,6%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	416	0,4%	-	0	0,0%	-	416	0,4%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	85 100	77,7%		3 705	53,6%		88 805	76,3%	
medium risk (PD 5-7; 0.80%-6.40%)	18 496	16,9%		2 656	38,5%		21 152	18,2%	
high risk (PD 8-9; 6.40%-100.00%)	3 135	2,9%		272	3,9%		3 407	2,9%	
impaired loans (PD 10 - 12)	2 642	2,4%		216	3,1%		2 858	2,5%	
unrated	150	0,1%		58	0,8%		208	0,2%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 642	1 019	38,6%	216	107	49,5%	2 858	1 126	39,4%
o/w PD 10 impaired loans	1 549	286	18,5%	133	31	23,2%	1 681	317	18,9%
o/w more than 90 days past due (PD 11+12)	1 094	733	67,0%	83	76	91,6%	1 176	809	68,8%
all impairments (stage 1+2+3)	1 510			142			1 653		
o/w stage 1+2 impairments (incl. POCI)	491			36			527		
o/w stage 3 impairments (incl. POCI)	1 019			107			1 126		
2020 Credit cost ratio (CCR)	0,55%			0,83%			0,57%		
2021 Credit cost ratio (CCR) - YTD	-0,21%			-0,13%			-0,20%		

Remarks

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

Loan portfolio Business Unit Czech Republic

30-06-2021, in millions of EUR

Total portfolio outstanding	**33 255**		
Counterparty break down		% outst.	
retail	19 821	59,6%	
o/w mortgages	17 600	52,9%	
o/w consumer finance	2 221	6,7%	
SME	4 904	14,7%	
corporate	8 530	25,6%	
Mortgage loans		% outst.	ind. LTV
total	17 600	52,9%	60%
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	64	0,2%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	19 392	58,3%	
medium risk (PD 5-7; 0.80%-6.40%)	11 978	36,0%	
high risk (PD 8-9; 6.40%-100.00%)	1 187	3,6%	
impaired loans (PD 10 - 12)	688	2,1%	
unrated	10	0,0%	
Overall risk indicators [1]		stage 3 imp.	% cover
outstanding impaired loans	688	335	48,6%
o/w PD 10 impaired loans	386	121	31,2%
o/w more than 90 days past due (PD 11+12)	302	214	70,9%
all impairments (stage 1+2+3)	559		
o/w stage 1+2 impairments (incl. POCI)	224		
o/w stage 3 impairments (incl. POCI)	335		
2020 Credit cost ratio (CCR)	0,67%		
2021 Credit cost ratio (CCR) - YTD	-0,41%		

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets
30-06-2021, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 484**			**9 925**			**6 215**			**4 045**			**30 669**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
retail	10 406	99,3%		5 609	56,5%		2 526	40,6%		1 595	39,4%		20 136	65,7%	
o/w mortgages	10 330	98,5%		4 982	50,2%		1 829	29,4%		841	20,8%		17 982	58,6%	
o/w consumer finance	76	0,7%		628	6,3%		697	11,2%		754	18,7%		2 155	7,0%	
SME	57	0,5%		1 113	11,2%		150	2,4%		1 006	24,9%		2 326	7,6%	
corporate	22	0,2%		3 203	32,3%		3 539	56,9%		1 444	35,7%		8 207	26,8%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	10 330	98,5%	65%	4 982	50,2%	66%	1 829	29,4%	52%	841	20,8%	61%	17 982	58,6%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	3	0,0%	71%	71	1,8%	62%	74	0,2%	
o/w ind. LTV > 100%	574	5,5%	-	42	0,4%	-	69	1,1%	-	23	0,6%	-	707	2,3%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	1 030	9,8%		5 815	58,6%		3 143	50,6%		1 162	28,7%		11 150	36,4%	
medium risk (PD 5-7; 0.80%-6.40%)	7 326	69,9%		2 224	22,4%		2 776	44,7%		2 398	59,3%		14 723	48,0%	
high risk (PD 8-9; 6.40%-100.00%)	784	7,5%		552	5,6%		194	3,1%		213	5,3%		1 743	5,7%	
impaired loans (PD 10 - 12)	1 344	12,8%		215	2,2%		101	1,6%		272	6,7%		1 931	6,3%	
unrated	0	0,0%		1 120	11,3%		1	0,0%		0	0,0%		1 122	3,7%	
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	1 344	380	28,3%	215	150	69,7%	101	52	51,4%	272	108	39,8%	1 931	690	35,7%
o/w PD 10 impaired loans	610	74	12,1%	55	23	42,1%	38	13	32,7%	70	9	13,5%	773	119	15,4%
o/w more than 90 days past due (PD 11+12)	734	306	41,7%	160	127	79,1%	62	39	62,9%	202	99	48,9%	1 158	571	49,3%
all impairments (stage 1+2+3)	437			245			115			134			930		
o/w stage 1+2 impairments (incl. POCI)	56			95			63			26			241		
o/w stage 3 impairments (incl. POCI)	380			150			52			108			690		
2020 Credit cost ratio (CCR)	0,88%			0,50%			1,05%			0,73%			0,78%		
2021 Credit cost ratio (CCR) - YTD	0,00%			-0,06%			-0,72%			-0,10%			-0,18%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre [1]
30-06-2021, in millions of EUR

Total portfolio outstanding	**2 143**		
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	2 143	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%)	1 591	74,2%	
medium risk (PD 5-7; 0.80%-6.40%)	134	6,2%	
high risk (PD 8-9; 6.40%-100.00%)	0	0,0%	
impaired loans (PD 10 - 12)	419	19,5%	
unrated	0	0,0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	419	368	87,8%
o/w PD 10 impaired loans	27	20	75,2%
o/w more than 90 days past due (PD 11+12)	392	348	88,7%
all impairments (stage 1+2+3)	370		
o/w stage 1+2 impairments (incl. POCI)	2		
o/w stage 3 impairments (incl. POCI)	368		
2020 Credit cost ratio (CCR)	-0,23%		
2021 Credit cost ratio (CCR) - YTD	0,41%		

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

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. This regulation entered gradually into force as of 1 January 2014. The general rule under CRR/CRD 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). As of the fourth quarter of 2020, the revised CRR/CRD requires the use of the equity method, unless the competent authority allows institutions to apply a different method. KBC Group has received ECB approval to continue to use the historical carrying value for risk weighting (370%) , after having deconsolidated KBC Insurance from the group figures.

In addition to the solvency ratios under CRR /CRD, 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 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 CRR/CDR rules, used for approximately 92% of the weighted credit risks, of which approx. 88% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The overall capital requirement (CET1) that KBC is to uphold is set at 10.50% (fully loaded, Danish Compromise which includes the CRR/CRD 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 0.25% 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 (CCB) and hence to use these buffers to withstand potential stress. This temporarily brings the regulatory minimum to 8.00% (being 10.50% – 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.

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

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

Buffer vs. Overall Capital Requirement (in millions of EUR) (consolidated, under CRR, Danish compromise method)	**30-06-2021**		**31-12-2020**	
	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	0.25%	0.17%	0.20%	0.17%
Overall Capital Requirement (OCR) (1)	**10.50%**	**10.42%**	**10.45%**	**10.42%**
CET1 used to satisfy shortfall in AT1 bucket	0.06%	0.06%	0.03%	0.03%
CET1 used to satisfy shortfall in T2 bucket (2)	0.82%	0.15%	-0.13%	0.12%
CET1 requirement (MDA)	**11.38%**	**10.62%**	**10.35%**	**10.57%**
CET1 capital	18 241	18 728	17 948	18 441
CET1 buffer (= buffer to MDA)	6 379	7 682	7 382	7 681

(1) A negative figure in AT1 or T2 bucket relates to a surplus above the pillar 1 bucket for these instruments, which is available to partly satisfy the pillar 2 requirement.
(2) The fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2; these T2 instruments are included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework (introduced as from 2Q 2021 reporting).

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) 30-06-2021		**numerator (common equity)**	**denominator (total weighted risk volume)**	**ratio (%)**
Common Equity ratio				
Danish Compromise	Fully loaded	18 241	104 241	17.50%
Deduction Method	Fully loaded	17 604	99 688	17.66%
Financial Conglomerates Directive	Fully loaded	19 874	119 606	16.62%
Danish Compromise	Transitional	18 728	103 972	18.01%
Deduction Method	Transitional	18 092	99 420	18.20%
Financial Conglomerates Directive	Transitional	20 361	119 337	17.06%

KBC's fully loaded CET1 ratio of 17.50% at the end of June 2021 represents a solid capital buffer:

- 9.50% capital buffer compared with the current theoretical minimum capital requirement of 8.00% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
- 7.00% capital buffer compared with the Overall Capital Requirement (OCR) of 10.50% (which still includes the 2.50% capital conservation buffer on top of the 8.00%)
- 6.12% capital buffer compared with the Maximum Distributable Amount (MDA) of 11.38%.

Danish Compromise [1]

In millions of EUR	30-06-2021 Fully loaded	30-06-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Total regulatory capital (after profit appropriation)	20 972	22 153	21 627	21 856
Tier-1 capital	19 741	20 228	19 448	19 941
Common equity	18 241	18 728	17 948	18 441
Parent shareholders' equity (after deconsolidating KBC Insurance)	18 959	18 959	18 688	18 688
Intangible fixed assets, incl deferred tax impact (-)	- 587	- 587	- 568	- 568
Goodwill on consolidation, incl deferred tax impact (-)	- 752	- 752	- 734	- 734
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	1 132	1 132	1 294	1 294
Valuation diff. in financial liabilities at fair value - own credit risk (-)	- 11	- 11	- 13	- 13
Value adjustment due to the requirements for prudent valuation (-)	- 23	- 23	- 25	- 25
Dividend payout (-)	0	0	- 183	- 183
Coupon of AT1 instruments (-)	- 12	- 12	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 72	- 72	- 58	- 58
Deduction re NPL backstops (-)	- 12	- 12	- 11	- 11
IRB provision shortfall (-)	0	0	0	0
Deferred tax assets on losses carried forward (-)	- 326	- 326	- 373	- 373
Transitional adjustments to CET1	0	488	0	493
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 500	1 500	1 500	1 500
CRR compliant AT1 instruments	1 500	1 500	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	1 232	1 925	2 178	1 914
IRB provision excess (+)	485	485	427	427
Transitional adjustments to T2	0	- 301	0	- 264
Subordinated liabilities	746	1 740	1 751	1 751
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Total weighted risk volume	104 241	103 972	102 111	101 843
Banking	94 942	94 673	92 903	92 635
Insurance	9 133	9 133	9 133	9 133
Holding activities	164	164	66	66
Elimination of intercompany transactions	2	2	9	9
Solvency ratios				
Common equity ratio	17.50%	18.01%	17.58%	18.11%
Tier-1 ratio	18.94%	19.46%	19.05%	19.58%
Total capital ratio	20.12%	21.31%	21.18%	21.46%

Note: for the composition of the banking RWA, see section 'Solvency banking and insurance activities separately' further in this memo.

(1) No IFRS interim profit recognition at the end of June 2021 given more stringent ECB approach.

Leverage ratio KBC Group[1]

Leverage ratio KBC Group (Basel III) In millions of EUR	30-06-2021 Fully loaded	30-06-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Tier-1 capital	19 741	20 228	19 448	19 941
Total exposures	360 502	361 117	303 069	303 696
Total Assets	368 596	368 596	320 743	320 743
Deconsolidation KBC Insurance	-33 517	-33 517	-32 972	-32 972
Transitional adjustment	0	615	0	
Adjustment for derivatives	245	245	-4 158	-4 158
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 756	-1 756	-1 825	-1 825
Adjustment for securities financing transaction exposures	2 552	2 552	830	830
Off-balance sheet exposures	24 382	24 382	20 451	20 451
Leverage ratio	5.48%	5.60%	6.42%	6.57%

At the end of June 2021, the leverage ratio decreased mainly due to an increase of short-term money market & repo opportunities (as of 1Q 2021) and regulatory & methodology changes implemented as of 2Q 2021. Excluding these changes, the leverage ratio would have been 5.6% in 1H 2021.

Solvency banking[1] and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD. 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 (CRR/CRD) for KBC Bank, as well as the solvency ratio of KBC Insurance under Solvency II.

Regulatory capital requirements KBC Bank (consolidated) (in millions of EUR)	30-06-2021 Fully loaded	30-06-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Total regulatory capital, after profit appropriation	17 911	18 237	17 792	18 021
Tier-1 capital	15 802	16 290	15 585	16 078
Common equity	14 302	14 790	14 085	14 578
Parent shareholders' equity	14 943	14 943	14 567	14 567
Solvency adjustments	- 641	- 153	- 481	12
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	2 109	1 947	2 206	1 942
Total weighted risk volume	94 942	94 673	92 903	92 635
Credit risk	80 489	80 221	78 785	78 518
Market risk	3 051	3 051	2 716	2 716
Operation risk	11 401	11 401	11 401	11 401
Common equity ratio	15.1%	15.6%	15.2%	15.7%

(1) *No IFRS interim profit recognition at the end of June 2021 given more stringent ECB approach.*

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-06-2021	31-12-2020
Own Funds	4 337	3 868
Tier 1	3 837	3 368
IFRS Parent shareholders equity	4 063	3 815
Dividend payout	-269	0
Deduction intangible assets and goodwill (after tax)	- 139	- 136
Valuation differences (after tax)	152	- 383
Volatility adjustment	79	89
Other	- 49	- 16
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 960	1 744
Market risk	1 562	1 355
Non-life	593	583
Life	758	735
Health	270	305
Counterparty	148	101
Diversification	-1 070	-1 027
Other	- 300	- 308
Solvency II ratio	221%	222%

Minimum requirement for own funds and eligible liabilities (MREL) (1)

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 BRRD2. The SRB communicated to KBC the final MREL targets expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE), which will replace the current MREL target of 9.67% of TLOF (which needed to be achieved by 31-12-2021). The new binding MREL targets are:

- 22.13% of RWA as from 01-01-2024 with an intermediate target of 21.63% as from 01-01-2022 (the Combined Buffer Requirement(2) of 4.25% needs to be held on top)
- 7.34% of LRE as from 01-01-2022

At the end of June 2021, the MREL ratio stands at 28.0% as a % of RWA (versus 27.9% as at 31-12-2020) and at 8.1% as % of LRE (versus 9.3% as at 31-12-2020). The MREL ratio as % of LRE decreased in 1H 2021 due fully to the increase of short-term money market & repo opportunities (as of 1Q 2021) and regulatory & methodology changes implemented as of 2Q 2021.

Besides a total MREL amount, BRRD2 also requires KBC to maintain a certain part of MREL in subordinated format (i.e. instruments subordinated to liabilities, excluded from bail-in). KBC Group has on its balance sheet a limited amount of liabilities, excluded from bail-in, which rank pari passu to MREL eligible liabilities. These excluded liabilities are related to critical shared services (e.g. IT). This jeopardizes the eligibility of the HoldCo senior debt to be acknowledged by the SRB as subordinated. This is based on the new definition of BRRD2 Article 2(1)(71b), which allows no exemption from the subordination requirement for MREL; for comparison exemption from the subordination requirement is allowed in CRR Article 72b(4) for TLAC (allowance of up to 5% excluded liabilities based on the total amount of MREL).

To ensure that KBC's HoldCo senior debt is eligible for the subordinated MREL target (i.e., to make sure that no excluded liabilities ranking pari passu or junior with HoldCo senior debt are present in KBC Group NV), the KBC Group ExCo decided on to make KBC Group NV a Clean HoldCo for the purpose of resolution. After implementation of the Clean HoldCo, KBC's entire MREL stack will be considered as subordinated.

The new binding subordinated MREL targets are:

- 15.95% of RWA as from 01-01-2024 with an intermediate target of 13.50% as from 01-01-2022 (the Combined Buffer Requirement(2) of 4.25% needs to be held on top)
- 7.34% of LRE as from 01-01-2024 with an intermediate target of 6.19% as from 01-01-2022

At the end of June 2021, the subordinated MREL ratio stands at 21.3% as a % of RWA (versus 21.5% as at 31-12-2020) and at 6.1% as % of LRE (versus 7.2% as at 31-12-2020).

(1) No IFRS interim profit recognition at the end of June 2021 given more stringent ECB approach.
(2) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.25%), comes on top of the MREL target as a percentage of RWA.

Income statement, volumes and ratios per business unit

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

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

Business unit Belgium (in millions of EUR)	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Breakdown P&L					
Net interest income	637	626	631	673	635
Non-life insurance (before reinsurance)	143	140	127	157	167
Earned premiums	293	289	290	287	280
Technical charges	- 150	- 149	- 164	- 130	- 113
Life insurance (before reinsurance)	- 13	- 12	- 10	- 16	- 16
Earned premiums	194	223	298	191	208
Technical charges	- 207	- 235	- 308	- 206	- 224
Ceded reinsurance result	- 3	- 1	10	- 3	- 10
Dividend income	15	6	10	10	16
Net result from financial instruments at fair value through profit or loss	38	120	33	67	149
Net realised result from debt instruments at fair value through OCI	1	1	- 2	1	1
Net fee and commission income	322	327	287	271	271
Net other income	33	41	41	36	45
TOTAL INCOME	1 173	1 248	1 127	1 197	1 256
Operating expenses	- 538	- 821	- 530	- 520	- 521
Impairment	56	65	- 67	- 43	- 469
on financial assets at AC and at FVOCI	56	62	- 39	- 41	- 458
other	0	3	- 27	- 2	- 11
Share in results of associated companies and joint ventures	1	- 1	- 1	- 2	- 3
RESULT BEFORE TAX	693	490	529	633	264
Income tax expense	- 165	- 110	- 132	- 147	- 59
RESULT AFTER TAX	528	380	396	486	204
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**528**	**380**	**396**	**486**	**204**
Banking	403	282	285	352	68
Insurance	125	98	111	134	136
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	105 594	103 960	103 092	103 844	103 689
of which Mortgage loans (end of period)	*40 069*	*39 452*	*38 831*	*37 717*	*36 863*
Customer deposits and debt certificates excl. repos (end of period)	159 581	150 296	135 442	137 271	136 928
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	12 984	13 018	13 032	12 944	13 005
Unit-Linked (end of period)	13 217	13 014	12 819	12 576	12 599
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	54 419	53 759	52 671	53 363	52 938
Required capital, insurance (end of period)	1 651	1 546	1 491	1 393	1 358
Allocated capital (end of period)	7 338	7 164	6 995	6 970	6 943
Return on allocated capital (ROAC)	29%	21%	23%	28%	12%
Cost/income ratio, group	46%	66%	47%	43%	41%
Combined ratio, non-life insurance	83%	80%	87%	81%	74%
Net interest margin, banking	1.63%	1.63%	1.59%	1.63%	1.63%

Business unit Czech Republic (in millions of EUR)	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Breakdown P&L					
Net interest income	220	215	206	220	235
Non-life insurance (before reinsurance)	30	43	36	36	38
Earned premiums	82	78	77	78	72
Technical charges	- 52	- 35	- 41	- 42	- 35
Life insurance (before reinsurance)	14	15	10	12	12
Earned premiums	51	43	59	50	44
Technical charges	- 37	- 27	- 49	- 38	- 32
Ceded reinsurance result	8	- 3	0	- 1	0
Dividend income	1	0	0	0	0
Net result from financial instruments at fair value through profit or loss	7	29	26	16	90
Net realised result from debt instruments at fair value through OCI	- 2	0	0	0	1
Net fee and commission income	54	50	46	52	51
Net other income	6	7	- 3	3	3
TOTAL INCOME	339	356	322	337	431
Operating expenses	- 191	- 225	- 187	- 179	- 164
Impairment	50	12	- 24	- 18	- 175
on financial assets at AC and at FVOCI	53	13	- 17	- 15	- 170
other	- 3	- 1	- 7	- 3	- 5
Share in results of associated companies and joint ventures	0	- 1	- 1	0	0
RESULT BEFORE TAX	198	143	111	139	91
Income tax expense	- 30	- 20	- 17	- 23	- 14
RESULT AFTER TAX	168	123	94	116	77
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**168**	**123**	**94**	**116**	**77**
Banking	152	105	81	104	61
Insurance	16	18	12	12	16
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	30 551	29 273	29 099	28 106	28 597
of which Mortgage loans (end of period)	*17 190*	*16 449*	*16 190*	*15 384*	*15 418*
Customer deposits and debt certificates excl. repos (end of period)	44 650	43 079	41 610	39 162	39 704
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	676	663	655	622	613
Unit-Linked (end of period)	594	576	614	615	659
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 594	15 109	15 338	14 971	15 338
Required capital, insurance (end of period)	149	149	137	131	128
Allocated capital (end of period)	1 778	1 728	1 739	1 696	1 746
Return on allocated capital (ROAC)	38%	28%	22%	27%	18%
Cost/income ratio, group	56%	63%	58%	53%	39%
Combined ratio, non-life insurance	87%	83%	87%	90%	81%
Net interest margin, banking	1.97%	1.99%	1.95%	2.05%	2.32%

Business unit International Markets (in millions of EUR)	**2Q 2021**	**1Q 2021**	**4Q 2020**	**3Q 2020**	**2Q 2020**
Breakdown P&L					
Net interest income	239	231	229	227	219
Non-life insurance (before reinsurance)	40	46	31	34	46
Earned premiums	83	82	80	81	78
Technical charges	- 43	- 37	- 49	- 47	- 33
Life insurance (before reinsurance)	9	9	5	4	10
Earned premiums	27	27	26	25	24
Technical charges	- 18	- 18	- 22	- 21	- 15
Ceded reinsurance result	- 2	- 7	2	- 1	- 3
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	13	11	16	18	14
Net realised result from debt instruments at fair value through OCI	0	0	0	0	1
Net fee and commission income	74	66	69	68	67
Net other income	1	4	1	- 4	5
TOTAL INCOME	374	361	353	347	359
Operating expenses	- 231	- 254	- 231	- 200	- 196
Impairment	23	0	- 15	1	- 213
on financial assets at AC and at FVOCI	26	0	- 1	6	- 217
other	- 3	- 1	- 13	- 5	4
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	166	106	107	148	- 50
Income tax expense	- 26	- 18	- 20	- 24	5
RESULT AFTER TAX	140	88	86	123	- 45
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**140**	**88**	**86**	**123**	**- 45**
Banking	127	72	79	112	- 66
Insurance	13	17	7	11	21
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	28 199	27 726	27 430	25 824	25 277
of which Mortgage loans (end of period)	*17 515*	*17 180*	*16 929*	*15 952*	*15 650*
Customer deposits and debt certificates excl. repos (end of period)	27 950	27 438	28 075	24 789	24 272
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	251	250	249	250	254
Unit-Linked (end of period)	418	399	398	390	397
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	23 190	23 020	23 224	20 791	20 736
Required capital, insurance (end of period)	141	135	135	130	127
Allocated capital (end of period)	2 565	2 541	2 561	2 302	2 315
Return on allocated capital (ROAC)	22%	14%	15%	21%	-8%
Cost/income ratio, group	62%	70%	66%	58%	55%
Combined ratio, non-life insurance	83%	78%	90%	89%	75%
Net interest margin, banking	2.58%	2.56%	2.59%	2.61%	2.58%

Slovakia (in millions of EUR)	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Breakdown P&L					
Net interest income	57	57	51	52	49
Non-life insurance (before reinsurance)	8	11	4	7	8
Earned premiums	15	14	14	13	13
Technical charges	- 7	- 3	- 10	- 6	- 4
Life insurance (before reinsurance)	3	3	3	3	3
Earned premiums	8	8	8	9	8
Technical charges	- 4	- 5	- 5	- 5	- 5
Ceded reinsurance result	- 1	- 4	4	- 1	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	3	0	3	6	7
Net realised result from debt instruments at fair value through OCI	0	0	0	0	1
Net fee and commission income	19	16	14	15	14
Net other income	0	2	2	1	2
TOTAL INCOME	91	86	82	84	84
Operating expenses	- 66	- 62	- 48	- 46	- 51
Impairment	6	- 3	- 2	5	- 41
on financial assets at AC and at FVOCI	6	- 3	1	5	- 41
other	0	0	- 2	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	30	20	32	43	- 8
Income tax expense	- 8	- 5	- 6	- 10	2
RESULT AFTER TAX	22	15	25	33	- 6
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**22**	**15**	**25**	**33**	**- 6**
Banking	20	12	23	30	- 9
Insurance	2	3	3	3	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	9 100	9 090	9 016	7 857	7 683
of which Mortgage loans (end of period)	*4 904*	*4 814*	*4 707*	*3 992*	*3 846*
Customer deposits and debt certificates excl. repos (end of period)	7 908	8 178	8 601	7 100	6 531
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	114	115	114	114	114
Unit-Linked (end of period)	72	73	83	87	92
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 683	5 809	5 919	5 011	5 104
Required capital, insurance (end of period)	29	29	29	28	27
Allocated capital (end of period)	623	636	648	552	565
Return on allocated capital (ROAC)	14%	10%	18%	24%	-5%
Cost/income ratio, group	73%	72%	59%	54%	61%
Combined ratio, non-life insurance	85%	85%	80%	87%	79%

Hungary (in millions of EUR)	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Breakdown P&L					
Net interest income	74	70	68	68	64
Non-life insurance (before reinsurance)	14	16	12	12	17
Earned premiums	35	37	34	35	35
Technical charges	- 21	- 22	- 23	- 24	- 17
Life insurance (before reinsurance)	2	2	- 2	- 2	2
Earned premiums	10	9	9	9	8
Technical charges	- 8	- 7	- 11	- 11	- 6
Ceded reinsurance result	- 1	- 1	0	- 1	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	11	12	14	12	10
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	49	43	49	46	46
Net other income	1	1	1	0	0
TOTAL INCOME	150	143	142	136	140
Operating expenses	- 81	- 94	- 79	- 74	- 69
Impairment	16	3	- 17	- 2	- 50
on financial assets at AC and at FVOCI	19	3	- 8	3	- 55
other	- 3	0	- 9	- 5	6
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	86	52	46	59	21
Income tax expense	- 11	- 9	- 8	- 9	- 5
RESULT AFTER TAX	75	43	38	51	16
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**75**	**43**	**38**	**51**	**16**
Banking	70	36	35	46	7
Insurance	5	8	4	4	9
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	5 304	5 047	4 940	4 775	4 617
of which Mortgage loans (end of period)	*1 795*	*1 657*	*1 600*	*1 541*	*1 512*
Customer deposits and debt certificates excl. repos (end of period)	9 139	8 766	8 982	7 983	8 011
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	48	46	46	46	49
Unit-Linked (end of period)	270	258	255	251	258
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 468	7 165	6 961	6 895	6 865
Required capital, insurance (end of period)	49	48	47	45	47
Allocated capital (end of period)	830	797	775	766	772
Return on allocated capital (ROAC)	37%	22%	21%	27%	8%
Cost/income ratio, group	54%	66%	56%	55%	50%
Combined ratio, non-life insurance	87%	78%	93%	92%	76%

Bulgaria **(in millions of EUR)**	**2Q 2021**	**1Q 2021**	**4Q 2020**	**3Q 2020**	**2Q 2020**
Breakdown P&L					
Net interest income	35	35	36	36	36
Non-life insurance (before reinsurance)	19	19	15	15	20
Earned premiums	33	31	32	32	31
Technical charges	- 14	- 12	- 17	- 17	- 11
Life insurance (before reinsurance)	4	4	3	3	5
Earned premiums	9	10	9	7	9
Technical charges	- 5	- 6	- 6	- 4	- 4
Ceded reinsurance result	- 1	- 2	- 2	0	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	8	7	8	8	6
Net other income	0	2	1	1	1
TOTAL INCOME	65	65	61	63	67
Operating expenses	- 32	- 40	- 33	- 31	- 27
Impairment	1	0	0	- 2	- 25
on financial assets at AC and at FVOCI	1	1	1	- 2	- 23
other	0	0	- 1	0	- 1
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	33	25	28	30	16
Income tax expense	- 3	- 3	- 3	- 3	- 2
RESULT AFTER TAX	30	22	25	27	14
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**30**	**22**	**25**	**27**	**14**
Banking	23	15	23	22	4
Insurance	7	7	2	5	9
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3 671	3 547	3 508	3 413	3 307
of which Mortgage loans (end of period)	*819*	*790*	*778*	*752*	*723*
Customer deposits and debt certificates excl. repos (end of period)	5 919	5 560	5 453	4 802	4 634
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	90	89	88	90	91
Unit-Linked (end of period)	77	68	60	52	47
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 336	3 233	3 254	3 133	3 073
Required capital, insurance (end of period)	63	58	58	57	53
Allocated capital (end of period)	412	396	398	384	377
Return on allocated capital (ROAC)	30%	22%	25%	27%	13%
Cost/income ratio, group	50%	62%	54%	49%	41%
Combined ratio, non-life insurance	77%	76%	89%	85%	70%

Ireland (in millions of EUR)	**2Q 2021**	**1Q 2021**	**4Q 2020**	**3Q 2020**	**2Q 2020**
Breakdown P&L					
Net interest income	72	69	74	72	69
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	- 2	- 1	- 2	- 1	- 3
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 2	- 1	- 1	- 1	0
Net other income	- 1	0	- 3	- 6	0
TOTAL INCOME	69	67	68	64	65
Operating expenses	- 52	- 58	- 71	- 49	- 48
Impairment	0	0	4	0	- 97
on financial assets at AC and at FVOCI	0	0	5	0	- 97
other	0	0	- 1	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	17	9	1	15	- 80
Income tax expense	- 4	- 1	- 4	- 2	10
RESULT AFTER TAX	13	8	- 3	13	- 70
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**13**	**8**	**- 3**	**13**	**- 70**
Banking	14	9	- 2	14	- 68
Insurance	- 1	- 1	- 1	- 1	- 1
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	10 124	10 042	9 966	9 779	9 670
of which Mortgage loans (end of period)	*9 996*	*9 919*	*9 844*	*9 666*	*9 569*
Customer deposits and debt certificates excl. repos (end of period)	4 983	4 935	5 040	4 904	5 095
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 704	6 813	7 089	5 750	5 692
Allocated capital (end of period)	701	712	741	601	600
Return on allocated capital (ROAC)	7%	4%	-2%	8%	-44%
Cost/income ratio, group	75%	86%	104%	77%	73%

Group Centre - Breakdown net result (in millions of EUR)	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Operational costs of the Group activities	- 11	- 16	- 42	- 20	- 18
Capital and treasury management	- 6	- 4	- 4	1	- 6
Holding of participations	0	1	- 1	2	- 1
Results companies in rundown	- 5	0	0	- 4	- 1
Other	- 20	- 15	9	- 8	0
Total net result for the Group centre	- 42	- 35	- 38	- 28	- 26

Business unit Group Centre (in millions of EUR)	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020
Breakdown P&L					
Net interest income	- 2	- 4	2	2	- 6
Non-life insurance (before reinsurance)	0	9	- 2	7	5
Earned premiums	4	3	3	3	4
Technical charges	- 4	6	- 4	4	1
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Ceded reinsurance result	- 2	- 3	- 2	- 4	- 1
Dividend income	2	1	1	1	1
Net result from financial instruments at fair value through profit or loss	- 29	- 32	4	- 16	1
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 1	- 3	0	- 1	- 1
Net other income	- 2	1	- 2	1	0
TOTAL INCOME	- 33	- 31	0	- 9	- 2
Operating expenses	- 12	- 21	- 39	- 27	- 24
Impairment	- 6	1	- 17	- 2	0
on financial assets at AC and at FVOCI	- 6	1	1	- 2	0
other	0	0	- 18	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 52	- 51	- 57	- 38	- 26
Income tax expense	10	17	18	10	0
RESULT AFTER TAX	- 42	- 35	- 38	- 28	- 26
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 42**	**- 35**	**- 38**	**- 28**	**- 26**
Banking	- 43	- 48	- 9	- 22	- 21
Holding	2	- 2	- 31	- 6	- 5
Insurance	- 1	15	2	0	0
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	0	0	1	0	0
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	11 123	11 025	10 303	10 450	9 908
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	1 904	1 773	1 744	1 912	2 209
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	- 8	- 18	- 18	- 15
Allocated capital (end of period)	217	178	164	182	218

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

Gives an idea of the amount of profit over a certain period that is attributable to one share (and, where applicable, including dilutive instruments).

Calculation (in millions of EUR)	Reference	1H 2021	2020	1H 2020
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 350	1 440	205
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 25	- 50	- 25
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	417	416	416
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		417	416	416
Basic = (A-B) / (C) (in EUR)		3.18	3.34	0.43
Diluted = (A-B) / (D) (in EUR)		3.18	3.34	0.43

Combined ratio (non-life insurance)

Gives an insight into the technical profitability (i.e. after eliminating investment returns, among other items) of the non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio takes ceded reinsurance into account.

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	478	945	467
/				
Earned insurance premiums (B)	Note 3.7.1	895	1 742	862
+				
Operating expenses (C)	Note 3.7.1	283	536	274
/				
Written insurance premiums (D)	Note 3.7.1	1 007	1 769	962
= (A/B)+(C/D)		81.6%	84.5%	82.6%

Common equity ratio

A risk-weighted measure of the group's solvency based on common equity tier-1 capital (the ratios given here are based on the Danish compromise). Changes to the capital 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 ‘transitional’ 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 (group)

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

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Cost/income ratio				
Operating expenses of the group activities (A)	'Consolidated income statement': component of 'Operating expenses'	2 293	4 156	2 242
/				
Total income of the group activities (B)	'Consolidated income statement': component of 'Total income'	3 786	7 195	3 522
=(A) / (B)		60.6%	57.8%	63.7%

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 and insurance 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 54% in 1H 2021 (versus 57% in FY 2020 and 58% in 1H 2020).

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges. The numerator and denominator in the formula relate to all impaired loans, but may be limited to impaired loans that are more than 90 days past due (the figures for that particular calculation are given in the 'Credit risk' section.

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 518	2 638	2 696
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 896	5 902	6 024
= (A) / (B)		42.7%	44.7%	44.8%

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 204	1 068	961
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	181 694	177 542	177 398
= (A) (annualised) / (B)		-0.22%	0.60%	0.64%

The credit cost ratio of FY 2020 and 1H 2020 includes a total collective Covid-19 expected credit loss (ECL) of 783 million euros in FY 2020 or 789 million euros in 1H 2020 . Without the collective Covid-19 ECL impact, the credit cost ratio amounts to 0.16% in FY 2020 or 0.20% in 1H 2020.
In the first half of 2021, the credit cost ratio excluding the decrease of the collective Covid-19 ECL of 155 million euros, amounts to -0.06%.

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. Where appropriate, the numerator in the formula may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12). Relevant figures for that calculation are given in the 'Credit Risk' section.

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 896	5 902	6 024
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	182 497	180 891	179 366
= (A) / (B)		3.2%	3.3%	3.4%

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	1H 2021	2020	1H 2020
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	94 308	81 833	74 512
/				
Total net cash outflows over the next 30 calendar days (B)		56 808	55 714	54 705
= (A) / (B)		166%	147%	136%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	164 344	159 621	157 563
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	751	3 295	3 439
+				
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	5 150	6 056	6 235
+				
Other exposures to credit institutions (D)		4 187	4 009	4 808
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	8 481	7 919	8 170
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	3 398	3 703	3 680
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 106	- 2 198	- 2 290
+				
Non-loan-related receivables (H)		- 413	- 592	- 939
+				
Other (I)	Component of Note 4.1	- 1 296	- 923	- 1 299
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		182 497	180 891	179 366

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	1 883	3 788	1 917
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	209 785	203 616	201 557
= (A) (annualised x360/number of calendar days) / (B)		1.79%	1.84%	1.89%

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	1H 2021	2020	1H 2020
Available amount of stable funding (A)	As of 2020: Regulation (EU) 2019/876 dd. 20-05-2019	222 014	209 932	203 437
/				
Required amount of stable funding (B)		146 226	143 901	143 056
= (A) / (B)		151.8%	145.9%	142.2%

Parent shareholders' equity per share

Gives the carrying value of a KBC share, i.e. the value in euros represented by each share in the parent shareholders' equity of KBC.

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Parent shareholders' equity (A)	'Consolidated balance sheet'	21 600	20 030	18 570
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417	416
= (A) / (B) (in EUR)		51.84	48.07	44.60

The parent shareholder's equity of 1H 2020 has been retrospectively restated. For more information, see Statement of compliance (note 1.1) in of the annual report of 2020.

Return on allocated capital (ROAC) for a particular business unit

Gives an idea of the relative profitability of a business unit, more specifically the ratio of the net result to the capital allocated to the business unit.

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	908	1 001	119
/				
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)		7 166	6 894	6 836
= (A) annualised / (B)		25.3%	14.5%	3.5%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	291	375	165
/				
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)		1 748	1 717	1 717
= (A) annualised / (B)		33.2%	21.7%	19.2%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	228	199	- 11
/				
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)		2 556	2 367	2 324
= (A) annualised / (B)		17.9%	8.4%	-0.9%

Return on equity

Gives an idea of the relative profitability of the group, more specifically the ratio of the net result to equity.

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 350	1 440	205
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 25	- 50	- 25
/				
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'	19 421	17 954	17 312
= (A-B) (annualised) / (C)		13.6%	7.7%	2.1%

The return on equity amounts to 15% in 1H 2021 when including evenly spreading of the bank taxes throughout the year.

The parent shareholder's equity of 1H 2020 has been retrospectively restated. For more information, see Statement of compliance (note 1.1) in of the annual report of 2020.

Sales Life (insurance)

Total sales of life insurance compromise life insurance premiums and unit-linked life insurance premiums (as required under IFRS, we use margin deposit accounting for most of these unit-linked contracts, which means they are not recognised under 'Earned insurance premiums').

Calculation (in millions of EUR or %)	Reference	1H 2021	2020	1H 2020
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	564	1 223	574
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	2	1
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	400	764	413
Total sales Life (A)+ (B) + (C)		965	1 989	988

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	1H 2021	2020	1H 2020
Belgium Business Unit (A)	Company presentation on www.kbc.com	208	194	185
+				
Czech Republic Business Unit (B)		13	11	11
+				
International Markets Business Unit (C)		6	6	5
A)+(B)+(C)		228	212	202