KBC GROUP
QUARTERLY REPORT 1Q2021

KBC GROUP
Report for 1Q2021

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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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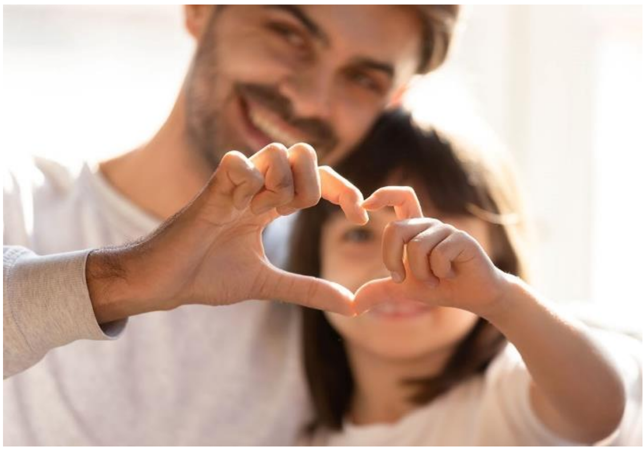


First-quarter result of 557 million euros

KBC Group – overview (consolidated, IFRS)	1Q2021	4Q2020	1Q2020
Net result (in millions of EUR)	557	538	-5
Basic earnings per share (in EUR)	1.31	1.26	-0.04
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	*380*	*396*	*-86*
Czech Republic	*123*	*94*	*88*
International Markets	*88*	*86*	*35*
Group Centre	*-35*	*-38*	*-43*
Parent shareholders' equity per share (in EUR, end of period)	49.8	48.1	43.4

Light is starting to appear at the end of the tunnel thanks to the large-scale vaccination rollout that started in the first quarter of 2021. However, the coronavirus pandemic is still far from over and continues to cause human suffering and unprecedented economic upheaval all over the world. From the start of the crisis more than a year 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 coronavirus, implementing various measures such as loan deferrals. We have, for example, granted payment holidays for 13.1 billion euros' worth of loans under coronavirus-related moratoria (according to the EBA definition). For 91% of that figure, the moratoria have now expired, with 98% of loans resuming normal payments. We have also granted almost 1 billion euros' worth of loans under public guarantee schemes introduced in response to the pandemic.

Meanwhile, we continued to work tirelessly on implementing our strategy, including the further optimisation of our geographic presence. In the first quarter of 2021, we reached an agreement for the acquisition of NN's Bulgarian pension insurance and life insurance businesses. This will allow us to further increase our share of the life insurance market in Bulgaria and to broaden our bank-insurance offering to customers with the addition of high-end pension fund products, while also providing additional cross-selling opportunities for banking and insurance products in a one-stop shop approach. Closure of the deal is subject to regulatory approval and is expected to be finalised in the course of 2021. More recently, in the context of the competitive market conditions in Ireland, we entered into a Memorandum of Understanding with Bank of Ireland that could lead to a transaction where Bank of Ireland commits to acquire substantially all of KBC Bank Ireland's performing loan assets and liabilities. In addition, we are examining our options for divesting KBC Bank Ireland's portfolio of non-performing mortgage loans. Successful completion of both transactions may ultimately result in our withdrawal from the Irish market. While these discussions are ongoing, KBC Bank Ireland remains committed to offering its existing and new customers retail banking and insurance services of the highest standard through its digital channels and hubs. 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.

As regards our financial results, the year got off to a strong start with a net profit of 557 million euros being posted in the quarter under review. This is a very good performance given that the bulk of bank taxes for the full year are recorded – as always – upfront in the first quarter of the year. In the quarter under review, nearly all income items increased, apart from dividend income. Costs – excluding bank taxes – continued to be strictly managed, resulting in a quarter-on-quarter decrease of 5%. We were also able to reverse some of the loan loss impairment charges taken previously, which had a positive impact on our net result. Our solvency position remained very strong with a common equity ratio of 17.6% on a fully loaded basis.

As announced earlier, we will pay out a gross dividend of 0.44 euros per share on 19 May 2021 for financial year 2020. It is also the intention of our Board of Directors to distribute an additional gross dividend of 2 euros per share in the fourth quarter of 2021 for financial year 2020.The final decision of the Board in this regard is subject to restrictions on dividends being lifted by the ECB.

In closing, I would like to take this opportunity to thank all stakeholders who have continued to put their trust in us. I also wish to express my appreciation to all our staff who have not only continued to serve our customers, but have also ensured that our group has been able to operate solidly and efficiently in these challenging times.

Johan Thijs
Chief Executive Officer

The cornerstones of our strategy

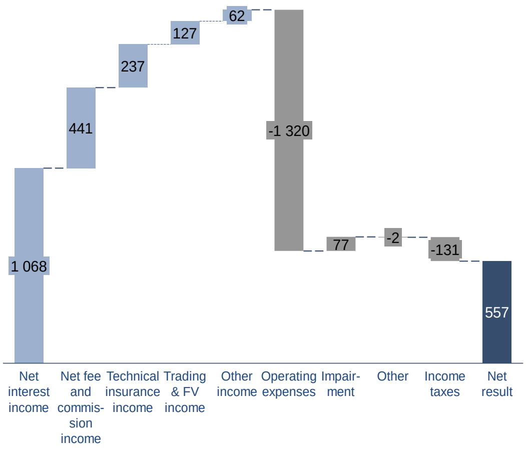
Our strategy rests on the following principles:

- 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 focus on the joint development of solutions, initiatives and ideas within the group

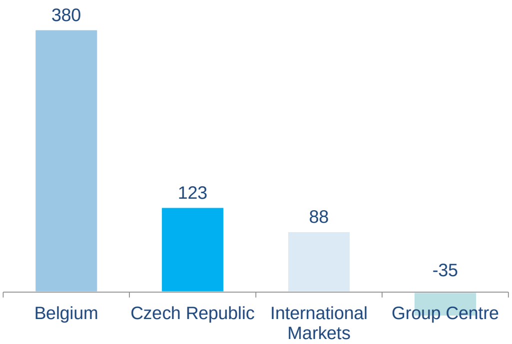
Financial highlights in the first quarter of 2021

- Commercial bank-insurance franchises in our core markets performed very well in the quarter under review.
- Net interest income increased by 1% quarter-on-quarter, when the positive 5-million-euro one-off item recorded in the previous quarter is excluded. This increase came about mainly on account of the consolidation of OTP Banka Slovensko, the appreciation of the Czech koruna and lower funding costs. Net interest income was down 11% on its year-earlier level, due in part to the negative impact of past CNB rate cuts in the Czech Republic, low reinvestment yields and the year-on-year depreciation of the Czech koruna and Hungarian forint.
- Deposits, including debt certificates, grew by 8% quarter-on-quarter and 10% year-on-year. Loan volumes were up 1% quarter-on-quarter and 1% year-on-year. These figures were calculated on an organic basis (excluding the recent acquisition of OTP Banka Slovensko and forex effects). The volume of loans that were granted payment holidays under the various relief schemes amounted to 13.1 billion euros according to the EBA definition. As most of the moratoria have now expired, loans still falling under them had decreased by 91% by the end of March 2021. For 98% of loans under meanwhile expired moratoria, payments have resumed.
- Technical income from our non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was up 11% on its level in the previous quarter and 31% on the level recorded in the first quarter of 2020. In both cases, this was due mainly to a significant decrease in technical charges. Overall, the combined ratio for the quarter under review amounted to an excellent 78%. Sales of our life insurance products were down 19% on the high level recorded in the previous quarter and up 10% on their level in the year-earlier quarter.
- Net fee and commission income was 9% and 3% higher than its respective levels in the previous and year-earlier quarters, due to a combination of increased fees for our asset management activities and banking services (the latter thanks primarily to the securities business).
- The trading and fair value result was up 47 million euros on the level recorded in the previous quarter and by as much as 512 million euros compared to the first quarter of 2020. The latter figure had been significantly impacted by the effects of the first outbreak of the coronavirus crisis, which initially led to sharply lower stock markets, widening credit spreads and lower long-term interest rates (causing the trading and fair value result to amount to a negative 385 million euros in that quarter).
- All other income items combined were in line with the figure recorded in the year-earlier quarter, and 32% higher than the figure recorded in the previous quarter, which had included a number of negative one-off items.
- Costs in the first quarter traditionally include the bulk of the full-year bank taxes (424 million euros). Excluding these taxes, costs were down 5% quarter-on-quarter and 4% year-on-year, thanks to strict cost management and notwithstanding the consolidation of OTP Banka Slovensko. The resulting cost/income ratio amounted to 53% in the quarter under review (in the calculation, certain non-operating items have been excluded and bank taxes spread evenly throughout the year) or 46% (when all bank taxes have been fully excluded).
- The quarter under review included a net reversal of loan loss impairment of 76 million euros, compared to net charges of 57 million euros in the previous quarter and 121 million euros in the year-earlier quarter. As a consequence, the credit cost ratio in the quarter under review amounted to -0.17%, compared to 0.60% for full-year 2020 (a negative sign implies a positive impact on the result).
- Our liquidity position remained strong, with an LCR of 157% and NSFR of 148%. Our capital base remained equally as robust, with a fully loaded common equity ratio of 17.6% (under ECB-rules, this does not include the interim profit for the first quarter).

Breakdown of 1Q2021 result
(in millions of EUR)



Contribution of the business units to 1Q2021 group result
(in millions of EUR)



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q2021	4Q2020	3Q2020	2Q2020	1Q2020
Net interest income	1 068	1 067	1 122	1 083	1 195
Non-life insurance (before reinsurance)	238	192	233	255	185
Earned premiums	*453*	*450*	*448*	*435*	*443*
Technical charges	*-215*	*-258*	*-215*	*-180*	*-258*
Life insurance (before reinsurance)	12	4	1	6	0
Earned premiums	*292*	*382*	*267*	*276*	*297*
Technical charges	*-280*	*-378*	*-266*	*-271*	*-297*
Ceded reinsurance result	-13	10	-9	-13	-7
Dividend income	7	11	12	17	12
Net result from financial instruments at fair value through P&L[1]	127	80	85	253	-385
Net realised result from debt instruments at fair value through other comprehensive income	2	-1	1	2	0
Net fee and commission income	441	403	390	388	429
Net other income	53	37	37	53	50
Total income	1 933	1 802	1 872	2 043	1 479
Operating expenses	-1 320	-988	-926	-904	-1 338
Impairment	77	-122	-63	-857	-141
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*76*	*-57*	*-52*	*-845*	*-121*
Share in results of associated companies & joint ventures	-2	-2	-2	-3	-3
Result before tax	688	690	881	279	-3
Income tax expense	-131	-152	-184	-69	-2
Result after tax	557	538	697	210	-5
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**557**	**538**	**697**	**210**	**-5**
Basic earnings per share (EUR)	1.31	1.26	1.64	0.47	-0.04
Diluted earnings per share (EUR)	1.31	1.26	1.64	0.47	-0.04

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-03-2021	31-12-2020	30-09-2020	30-06-2020	31-03-2020
Total assets	351 818	320 743	321 053	317 246	301 311
Loans and advances to customers, excl. reverse repos	160 960	159 621	157 773	157 563	158 364
Securities (equity and debt instruments)	71 981	71 784	71 310	72 131	67 176
Deposits from customers & debt certificates, excl. repos	231 838	215 430	211 672	210 811	208 293
Technical provisions, before reinsurance	18 939	18 718	18 613	18 775	18 816
Liabilities under investment contracts, insurance	12 922	12 724	12 482	12 505	11 979
Parent shareholders' equity	20 768	20 030	19 244	18 570	18 080

Selected ratios KBC group (consolidated)	1Q2021	FY2020
Return on equity[3]	11%	8%
Cost/income ratio, group[4] (when excluding certain non-operating items and spreading bank taxes evenly throughout the year)	68% (53%)	58% (57%)
Combined ratio, non-life insurance	78%	85%
Common equity ratio, Basel III Danish Compromise, fully loaded [transitional]	17.6% [18.1%]	17.6% [18.1%]
Common equity ratio, FICOD fully loaded [transitional]	16.7% [17.2%]	16.4% [16.9%]
Leverage ratio, Basel III fully loaded	5.8%	6.4%
Credit cost ratio[5]	-0.17%	0.60%
Impaired loans ratio	3.3%	3.3%
for loans more than 90 days past due	1.8%	1.8%
Net stable funding ratio (NSFR)	148%	146%
Liquidity coverage ratio (LCR)	157%	147%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 16% when bank taxes are spread evenly throughout the year.
4 Scope changed from bank to group.
5 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 (1Q2021)

Total income **1 933** **million euros**	• Total income up 7% quarter-on-quarter. • Dividend income down; all other income items up.

Net interest income amounted to 1 068 million euros in the quarter under review, up 1% when the positive one-off item related to inflation-linked bonds (insurance) in the previous quarter is excluded and down 11% year-on-year. Quarter-on-quarter, net interest income benefited from OTP Banka Slovensko being included in the scope of consolidation since the beginning of this year, the appreciation of the Czech koruna against the euro, lower funding costs, continued organic growth of lending volumes, the margin on the new production of mortgage loans being wider than the margin on the outstanding portfolio in Belgium and Slovakia, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, and the slightly higher netted positive impact of ALM forex swaps. These effects were largely offset by a number of factors, including the negative impact of lower reinvestment yields and the fewer number of days in the period under review.

Year-on-year, the decrease was mainly related to the negative impact of past CNB rate cuts in the Czech Republic, falling reinvestment yields in general, the year-on-year depreciation of the Czech koruna and Hungarian forint against the euro and a positive, one-off item in the reference quarter, all of which were only partly offset by the positive impact of TLTRO III, the consolidation of OTP Banka Slovensko, more extensive charging of negative interest rates on certain current accounts held by corporate entities and SMEs, and the organic increase in the loan portfolio.

The net interest margin for the quarter under review amounted to 1.78%, up 3 basis points and down 19 basis points, respectively, on the figures recorded in the previous and year-earlier quarters.

Customer deposits including debt certificates (232 billion euros) were up 8% quarter-on-quarter and 10% year-on-year on an organic basis (eliminating the forex impact and the effects of changes in the scope of consolidation, i.e. OTP Banka Slovensko was fully consolidated on the balance sheet at the end of 2020). The total volume of customer lending (161 billion euros) rose 1% quarter-on-quarter and 1% year-on-year on an organic basis. The volume of loans that were granted payment holidays under the various coronavirus-related moratoria amounted to 13.1 billion euros by the end of March 2021, according to the EBA definition. Most of these moratoria have now expired (some 91% of the figure in question at the end of March 2021). For 98% 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 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 226 million euros to total income, up 11% on its performance in the previous quarter and 31% on the year-earlier quarter. In both cases, the increase resulted from a combination of slightly higher earned premium income and much lower technical charges (partly because the previous quarter had included a one-off increase in the ageing reserves, while the year-earlier quarter had included the relatively high impact of storm damage), offset in part by a lower ceded reinsurance result (quarter-on-quarter). Overall, the combined ratio for the first quarter of the year came to an excellent 78%, compared to 85% for full-year 2020.

Technical income from our **life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) amounted to 11 million euros, compared to 3 million euros in the previous quarter and 4 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (471 million euros) were down 19% on the high level recorded in the previous quarter, with a decline in both unit-linked products and guaranteed-interest products (the last quarter of the year traditionally includes higher volumes in tax-incentivised pension savings products in Belgium). Sales were up 10% on the level recorded in the year-earlier quarter, driven mainly by increased sales of unit-linked products. Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 54% in the quarter under review, with unit-linked products accounting for the remaining 46%.

In the quarter under review, **net fee and commission income** amounted to 441 million euros, up 9% on the level in the previous quarter and 3% on the level in the year-earlier quarter. In both cases, this was due primarily to an increase in fees for our asset management business and slightly increased fees for our banking services (thanks mainly to higher securities-related fees and the OTP Banka Slovensko impact, which more than offset the drop in payment services fees). In addition, distribution fees paid were down quarter-on-quarter (i.e. a positive impact), but up slightly year-on-year (a negative impact). At the end of March 2021, our total assets under management amounted to 220 billion euros, up 4% quarter-on-quarter and 14% year-on-year. The quarter-on-quarter increase was due to a combination of net inflows (+1%) and a further recovery in asset prices (+3%), while the year-on-year increase resulted almost entirely from increasing asset prices.

The **net result from financial instruments at fair value** (trading and fair value income) amounted to 127 million euros, up 47 million euros on the level recorded in the previous quarter, due mainly to a higher dealing room result, a better performance by the insurer's shares portfolio and the less negative value of derivatives used for asset/liability management purposes, though somewhat offset by lower positive market value adjustments. Year-on-year, trading and fair value income was up by as much as 512 million euros, due to the fact that the trading and fair value result of the first quarter of 2020 (-385 million euros) had been significantly impacted by the sharply lower stock markets, widening credit spreads and lower long-term interest rates as a consequence of the initial outbreak of the coronavirus pandemic in that quarter.

The **other remaining income items** included dividend income of 7 million euros (down quarter-on-quarter and year-on-year) and 53 million euros in net other income (more or less in line with the normal run rate for this item).

Operating expenses **1 320 million euros**	• Continued tight cost management. Operating expenses, excluding bank taxes, down 5% quarter-on-quarter and 4% year-on-year. • Group cost/income ratio for first quarter of 2021 at 53% (when certain non-operating items are excluded and bank taxes are spread evenly over the year) or 46% (when bank taxes are fully excluded).

Operating expenses in the first quarter of 2021 amounted to 1 320 million euros. As usual, they included the bulk of the bank taxes for the full year. These taxes amounted to 424 million euros in the quarter under review, compared to 49 million euros in the previous quarter and 407 million euros in the year-earlier quarter.

Excluding these taxes, expenses were down 5% on the level recorded in the previous quarter due to a number of factors, including lower staff expenses, professional fees and marketing costs (partly seasonal). These items more than offset the negative impact of OTP Banka Slovensko being consolidated in the first quarter of 2021 and forex effects.
Year-on-year, expenses excluding bank taxes were down 4% chiefly on account of lower staff expenses (related in part to lower FTEs, despite wage inflation), a decrease in facilities, marketing and professional fees (partly triggered by the impact of the coronavirus crisis), lower software depreciation and forex effects, all of which more than offset the adverse impact of the consolidation of OTP Banka Slovensko.

The cost/income ratio for the group came to 68% for the quarter under review. Evenly spreading the bank taxes over the full year and excluding certain non-operating items, the ratio amounted to 53%, compared to 57% for full-year 2020. When fully excluding all bank taxes, the cost-income ratio for the quarter under review fell to 46%.

Our full-year 2021 guidance for *operating expenses excluding bank taxes* remains unchanged: we expect them to increase by approximately 2% year-on-year on a like-for-like basis (i.e. excluding the impact of the acquisition of OTP Banka Slovensko).

Loan loss impairment **76-million-euro net reversal**	• Net reversal of loan loss impairment in the quarter under review, compared to net charges in the reference quarters. • Credit cost ratio for the quarter under review at -0.17%.

In the first quarter of 2021, we recorded a 76-million-euro net reversal of loan loss impairment, compared with a net charge of 57 million euros in the previous quarter and 121 million euros in the first quarter of 2020. The net reversal in the quarter under review breaks down into 50 million euros for individual (mainly corporate) loans and 26 million euros in collective coronavirus-related impairment. As a consequence, the collective impairment charges still recognised for the coronavirus crisis amounted to 757 million euros at the end of March 2021 (down from 783 million euros as the end of 2020). Of this amount, 695 million euros was based on a 'management overlay' and 62 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 62 million euros in Belgium, 13 million euros in the Czech Republic, 3 million euros in Hungary, 1 million in Bulgaria and 1 million euros in the Group Centre, while there was a small net increase in impairment of 3 million euros in Slovakia (related primarily to the consolidation of OTP Banka Slovensko).

For the entire group, the credit cost ratio amounted to -0.17% for the first quarter of 2021 (-0.11% 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 March 2021, some 3.3% of our total loan book was classified as impaired (Stage 3), the same level as year-end 2020. Impaired loans that are more than 90 days past due amounted to 1.8% of the loan book, also stable compared to year-end 2020.

For an indication of the expected impact of loan loss impairment for full-year 2021, see 'Guidance' on page 10 of this publication.

Impairment on assets *other than loans* amounted to a net reversal of just 1 million euros, compared to a net charge of 66 million euros in the previous quarter and 20 million euros in the first quarter of 2020. The figure for the previous quarter had been negatively impacted by a one-off software impairment, whereas the figure for the year-earlier quarter had been adversely impacted by the effect of the accounting treatment (modification loss) of the payment moratorium in Hungary.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
380 million euros	123 million euros	88 million euros	-35 million euros

Belgium: the net result (380 million euros) fell by 4% euros quarter-on-quarter. However, excluding bank taxes (the bulk of which are recorded in the first quarter and hence distort the quarter-on-quarter comparison), the result went up 55% due to the combined effect of higher total income (an increase in net fee and commission income and in trading and fair value income, stable net other income and technical insurance income, and a slight decrease in net interest income and dividend income), lower costs excluding bank taxes, and a net reversal of loan loss impairment (compared to a net addition in the previous quarter).

Czech Republic: the net result (123 million euros) was up 31% on its level for the previous quarter, or 74% (excluding bank taxes). The quarter-on-quarter difference was due primarily to the combined effect of higher total income (almost all the income components were up), lower costs (excluding bank taxes), and a net reversal of loan loss impairment (compared to a net addition in the previous quarter).

International Markets: the 88-million-euro net result breaks down as follows: 15 million euros in Slovakia, 43 million euros in Hungary, 22 million euros in Bulgaria and 8 million euros in Ireland. For the business unit as a whole, the net result was up 2% quarter-on-quarter, or 10% when bank taxes are excluded. The latter increase came about mainly on account of lower other impairment charges and higher total income, offset somewhat by increased costs (excluding bank taxes), with both income and costs being impacted by the consolidation of OTP Banka Slovensko.

Group Centre: the net result (-35 million euros) was 4 million euros higher than the figure recorded in the previous quarter, as the decrease in total income (due to lower trading and fair value results) was more than offset by lower costs and a small net reversal of impairment (compared to a relatively large net addition in the previous quarter).

Selected ratios by business unit	Belgium 1Q2021	Belgium FY2020	Czech Republic 1Q2021	Czech Republic FY2020	International Markets 1Q2021	International Markets FY2020
Cost/income ratio, group (excluding certain non-operating items)	48%	54%	53%	52%	63%	64%
Combined ratio, non-life insurance	80%	84%	83%	87%	78%	84%
Credit cost ratio*	-0.21%	0.57%	-0.16%	0.67%	0.00%	0.78%
Impaired loans ratio	2.4%	2.3%	2.2%	2.3%	6.7%	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
22.3 billion euros	17.6%	157%	148%

At the end of March 2021, total equity amounted to 22.3 billion euros, comprising 20.8 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was up 0.7 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 quarter (+0.6 billion euros), an increase in the revaluation reserves (+0.2 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.

In line with the ECB recommendation of 15 December 2020 which limits dividend payments, we will pay out a limited gross dividend of 0.44 euros per share on 19 May 2021 for financial year 2020. Additionally, it is the intention of the Board of Directors to distribute an extra gross dividend of 2 euros per share over the accounting year 2020 in the fourth quarter of 2021. The final decision of the Board of Directors in this regard is subject to restrictions on dividends being lifted by the ECB.

At 31 March 2021, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 17.6%, the same level as three months earlier. Our fully loaded leverage ratio (Basel III) came to 5.8%, compared to 6.4% at the end of 2020. The solvency ratio for KBC Insurance under the Solvency II framework was 235% at the end of March 2021, compared to 222% at the end of 2020. Our liquidity position remained excellent too, as reflected in an LCR ratio of 157% and an NSFR ratio of 148% (compared to 147% and 146%, respectively, at the end of 2020).

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. 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 coronavirus pandemic remained the single most important driver of global economic dynamics in the first quarter of 2021. As was the case in the fourth quarter of 2020, quarter-on-quarter economic growth in the euro area as a whole was moderately negative in the first quarter of 2021. The quarter-on-quarter growth of the Belgian economy was moderately positive in the first quarter of 2021, whereas it was slightly negative in the Czech Republic.

For the time being, the recent surges in the pandemic continue to hold most of continental Europe firmly in their grip. In particular, the circulation of more infectious and dangerous virus strains is putting pressure on health systems again, necessitating the extension or introduction of strict lockdown measures in many countries. Significant progress on the health front can only be expected as the ongoing vaccination campaigns pick up speed. The impact of the vaccination programmes on economic recovery will therefore probably become increasingly visible in the second half of 2021 as economies gradually start to re-open. Therefore, we expect European growth to accelerate in the second half of 2021 and the level of European economic activity to return to its pre-pandemic level in the course of 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. We expect both the Federal Reserve and the ECB to keep their policy rates unchanged for an extended period of time.

In the first quarter of 2021, 10-year government bond yields in the US soared, resulting in a significant steepening of the US yield curve. Due to the strong correlation along the global yield cycle, German yields rose too, but to a much lesser extent. The increase in US yields was mainly driven by a rise in inflation-adjusted (real) yields. Despite falling back at the beginning of the second quarter, US bond yields are expected to continue increasing modestly in the second quarter, in line with the recovery of the US economy. This will also lead to further moderate upward pressure on German yields, but again to a lesser extent in view of the ECB's stated intention to maintain favourable financing conditions and to step up its PEPP bond purchases in the second quarter. As a result of the ECB's policy stance, we also expect intra-EMU sovereign spreads broadly to remain at their current compressed levels.

As regards exchange rates, we expect the Hungarian forint to strengthen somewhat on its current levels against the euro in the remainder of the first half of 2021, in line with our expectation that the Hungarian central bank will not ease its policy stance in the course of 2021. The Czech koruna is also likely to appreciate moderately against the euro in the coming quarters. We expect the Czech National Bank to raise its policy rate by 25 basis points in the fourth quarter of 2021, mainly as a result of the inflation outlook. As far as the US dollar exchange rate against the euro is concerned, we expect some short-term support for the dollar, based on interest rate differentials. In the medium term, however, a modest depreciation of the US dollar against the euro is likely, driven by the improving outlook for global growth and inflation, increasing US budget and current account deficits and the projected higher inflation differential between the US and the euro area.

Guidance	**Full-year 2021 guidance**
	▪ *Net interest income*: in the region of 4.3 billion euros. ▪ *Operating expenses excluding bank taxes*: increase of approximately 2% year-on-year on a like-for-like basis (i.e. excluding the impact of the acquisition of OTP Banka Slovensko). ▪ *Credit cost ratio:* expected to be in line with the low end of our average through-the-cycle credit cost ratio (of 30-40 basis points). .

Upcoming events	Dividend: ex-date 17 May 2021; record date 18 May 2021; payment date 19 May 2021 2Q2021 results: 5 August 2021
More information on 1Q2021	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

1Q 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	1Q 2021	4Q 2020	1Q 2020
Net interest income	3.1	1 068	1 067	1 195
Interest income	*3.1*	*1 480*	*1 464*	*1 835*
Interest expense	*3.1*	*- 413*	*- 397*	*- 640*
Non-life insurance (before reinsurance)	3.7	238	192	185
Earned premiums	*3.7*	*453*	*450*	*443*
Technical charges	*3.7*	*- 215*	*- 258*	*- 258*
Life insurance (before reinsurance)	3.7	12	4	0
Earned premiums	*3.7*	*292*	*382*	*297*
Technical charges	*3.7*	*- 280*	*- 378*	*- 297*
Ceded reinsurance result	3.7	- 13	10	- 7
Dividend income		7	11	12
Net result from financial instruments at fair value through profit or loss	3.3	127	80	- 385
of which result on equity instruments (overlay approach)		*35*	*23*	*- 82*
Net realised result from debt instruments at fair value through OCI		2	- 1	0
Net fee and commission income	3.5	441	403	429
Fee and commission income	*3.5*	*639*	*602*	*628*
Fee and commission expense	*3.5*	*- 198*	*- 200*	*- 199*
Net other income	3.6	53	37	50
TOTAL INCOME		1 933	1 802	1 479
Operating expenses	3.8	- 1 320	- 988	- 1 338
Staff expenses	*3.8*	*- 577*	*- 626*	*- 594*
General administrative expenses	*3.8*	*- 662*	*- 326*	*- 654*
Depreciation and amortisation of fixed assets	*3.8*	*- 81*	*- 35*	*- 89*
Impairment	3.10	77	- 122	- 141
on financial assets at AC and at FVOCI	*3.10*	*76*	*- 57*	*- 121*
on goodwill	*3.10*	*0*	*0*	*0*
other	*3.10*	*1*	*- 66*	*- 20*
Share in results of associated companies and joint ventures		- 2	- 2	- 3
RESULT BEFORE TAX		688	690	- 3
Income tax expense		- 131	- 152	- 2
Net post-tax result from discontinued operations		0	0	0
RESULT AFTER TAX		557	538	- 5
attributable to minority interests		0	0	0
of which relating to discontinued operations		*0*	*0*	*0*
attributable to equity holders of the parent		**557**	**538**	**- 5**
of which relating to discontinued operations		*0*	*0*	*0*
Earnings per share (in EUR)				
Ordinary		1.31	1.26	-0.04
Diluted		1.31	1.26	-0.04

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 +50 million euros in 1Q 2021. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): +85 million euros of which +86 million euros realized and unrealized fair value adjustments included in ‘net result from financial instruments at fair value through profit or loss’ and -1 million euros income taxes;
- IAS 39 result: +35 million euros including net realized result amounting to +38 million euros and impairment loss of -3 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1Q 2021	4Q 2020	1Q 2020
RESULT AFTER TAX	557	538	- 5
Attributable to minority interests	0	0	0
Attributable to equity holders of the parent	557	538	- 5
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	- 16	253	- 742
Net change in revaluation reserve (FVOCI debt instruments)	- 225	48	- 182
Net change in revaluation reserve (FVPL equity instruments) - overlay	50	56	- 225
Net change in hedging reserve (cashflow hedges)	138	27	- 24
Net change in translation differences	40	149	- 392
Hedge of net investments in foreign operations	- 18	- 25	80
Net change in respect of associated companies and joint ventures	0	0	0
Other movements	- 1	- 3	2
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	205	- 4	113
Net change in revaluation reserve (FVOCI equity instruments)	44	2	- 4
Net change in defined benefit plans	163	- 6	100
Net change in own credit risk	- 2	0	17
Net change in respect of associated companies and joint ventures	0	0	0
TOTAL COMPREHENSIVE INCOME	746	787	- 634
Attributable to minority interests	0	0	0
Attributable to equity holders of the parent	746	787	- 634

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

- Net change in revaluation reserve (FVOCI debt instruments): the -225 million euros in 1Q 2021 is mainly explained by higher interest rates. The -182 million euros in 1Q 2020 was negatively impacted by higher credit spreads.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the +50 million euros in 1Q 2021 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments). The -225 million euros in 1Q 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 +138 million euros in 1Q 2021 can mainly be explained by the higher interest rates. The -24 million in 1Q 2020 is caused by different (partially compensating) drivers.
- The net change in translation differences (+40 million euros) in 1Q 2021 was mainly caused by the appreciation of the CZK versus the EUR, partially offset by the hedge of net investments in foreign operations (-18 million euros). The net change in translation differences (-392 million euros) in 1Q 2020 was mainly caused by the substantial weakening of the CZK and HUF versus the EUR, partially compensated by the hedge of the net investment in foreign operations (+80 million euros). Please note that 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 +44 million euros in 1Q 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 +163 million euros in 1Q 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 +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 applied on the obligations is offset by a negative return on plan assets.

Consolidated balance sheet

(in millions of EUR)	Note	31-03-2021	31-12-2020
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		55 074	24 583
Financial assets	4.0	287 378	286 386
Amortised cost	*4.0*	*244 394*	*243 527*
Fair value through OCI	*4.0*	*17 264*	*18 451*
Fair value through profit or loss	*4.0*	*25 549*	*24 248*
of which held for trading	*4.0*	*9 728*	*8 695*
Hedging derivatives	*4.0*	*171*	*160*
Reinsurers' share in technical provisions, insurance		160	145
Profit/loss on positions in portfolios hedged for interest rate risk		596	1 360
Tax assets		1 586	1 624
Current tax assets		*177*	*125*
Deferred tax assets		*1 409*	*1 499*
Non-current assets held for sale and disposal groups		19	19
Investments in associated companies and joint ventures		23	24
Property, equipment and investment property		3 669	3 691
Goodwill and other intangible assets		1 589	1 551
Other assets		1 726	1 361
TOTAL ASSETS		**351 818**	**320 743**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	306 916	276 781
Amortised cost	*4.0*	*285 241*	*254 053*
Fair value through profit or loss	*4.0*	*20 592*	*21 409*
of which held for trading	*4.0*	*6 161*	*7 157*
Hedging derivatives	*4.0*	*1 083*	*1 319*
Technical provisions, before reinsurance		18 939	18 718
Profit/loss on positions in portfolios hedged for interest rate risk		- 71	99
Tax liabilities		446	498
Current tax liabilities		*83*	*79*
Deferred tax liabilies		*363*	*419*
Provisions for risks and charges		204	209
Other liabilities		3 117	2 908
TOTAL LIABILITIES		329 551	299 214
Total equity	5.10	22 268	21 530
Parent shareholders' equity	5.10	20 768	20 030
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		**351 818**	**320 743**

The increase of the balance sheet total in 1Q 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. For more information see cash flow statements.

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
31-03-2021									
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	557	0	557	0	0	557
Other comprehensive income for the period	0	0	0	- 1	189	189	0	0	189
Subtotal	**0**	**0**	**0**	**556**	**189**	**746**	**0**	**0**	**746**
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 9	0	- 9	0	0	- 9
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	3	- 3	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	550	187	738	0	0	738
Balance at the end of the period	**1 459**	**5 514**	**0**	**13 696**	**98**	**20 768**	**1 500**	**0**	**22 268**
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
31-03-2020									
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	- 5	0	- 5	0	0	- 5
OCI for the period	0	0	0	2	- 630	- 629	0	0	- 629
Subtotal	**0**	**0**	**0**	**- 4**	**- 630**	**- 634**	**0**	**0**	**- 634**
Dividends	0	0	0	0	0	0	0	0	0
Coupon on AT1	0	0	0	- 9	0	- 9	0	0	- 9
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	- 12	- 631	- 642	0	0	- 642
Balance at the end of the period	**1 458**	**5 498**	**- 1**	**11 720**	**- 594**	**18 080**	**1 500**	**0**	**19 580**

1Q 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:

- The General Meeting of Shareholders approved on 6 May 2021 that the closing dividend for 2020 amounted to 0.44 euros per share (a total of 183 million euros will be deducted from retained earnings in 2Q 2021, see also note Post balance sheet events).
- 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 31 March 2021). The Board's final decision is subject to restrictions on dividends being lifted by the ECB.

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 1Q 2020 has been retrospectively restated (decrease of 141 million euros). For more information, see Statement of compliance (note 1.1) of the annual report of 2020.

(in millions of EUR)	31-03-2021	31-12-2020
Revaluation reserve (FVOCI debt instruments)	905	1 130
Revaluation reserve (FVPL equity instruments) - overlay	375	325
Revaluation reserve (FVOCI equity instruments)	56	15
Hedging reserve (cashflow hedges)	- 1 156	- 1 294
Translation differences	- 343	- 382
Hedge of net investments in foreign operations	145	163
Remeasurement of defined benefit plans	118	- 45
Own credit risk through OCI	- 1	1
Total revaluation reserves	**98**	**- 88**

Consolidated cash flow statement

(in millions of EUR)	Note (1)	1Q 2021	1Q 2020
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	688	- 3
Adjustments for non-cash items in profit & loss		462	1 071
Changes in operating assets (excluding cash and cash equivalents)		- 2 965	- 11 694
Changes in operating liabilities (excluding cash and cash equivalents)		28 268	10 928
Income taxes paid		- 116	- 195
Net cash from or used in operating activities		26 337	107
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	- 475	- 1 443
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	0
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)		- 69	- 57
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		- 19	40
Other		6	- 10
Net cash from or used in investing activities		- 558	- 1 470
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Consolidated statement of changes in equity	1	0
Issue or repayment of promissory notes and other debt securities	4.1	634	313
Proceeds from or repayment of subordinated liabilities	4.1	- 16	- 35
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	0	0
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	- 9	- 9
Net cash from or used in financing activities		610	270

(in millions of EUR)	Note (1)	1Q 2021	1Q 2020
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		26 389	- 1 093
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		96	- 1 842
Cash and cash equivalents at the end of the period		74 279	26 183
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	55 074	7 489
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1 962	559
Reverse repos with credit institutions and investment firms at not more than three months	4.1	23 687	26 397
Deposits from banks repayable on demand	4.1	- 6 444	- 8 261
Cash and cash equivalents belonging to disposal groups		0	0
Total		74 279	26 183
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 1Q 2021 (+26 337 million euros) mainly includes a significant growth of deposits, a.o. thanks to higher certificates of deposit, demand deposits, repos and deposits from credit institutions and investment firms. 1Q 2021 also includes 2.2 billion euros additional TLTRO III funding (bringing the total TLTRO III funding at 24.2 billion euros).

The net cash from operating activities in 1Q 2020 was limited (+107 million euros) as the growth of the deposits was at a similar level as the loan growth.

Net cash from (used in) investing activities in 1Q 2021 and 1Q 2020 (respectively -558 and -1 470 million euros) is mainly explained by additional investments in debt securities at amortised cost.

The net cash flow from financing activities in 1Q 2021 and 1Q 2020 (respectively +610 and +270 million euros) mainly includes the issue of Senior Holdco instruments (respectively 750 and 500 million euros), partly offset by repayments.

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 31 March 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. Next step in the EU endorsement process is voting by the Accounting Regulatory Committee (ARC). In their April meeting, ARC members gave the EC a mandate to work out a solution for the annual cohort issue.

- 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:

- CZK (1 EUR = … currency):
  - exchange rate used for balance sheet versus EUR evolved from 26.24 at 31 December 2020 to 26.14 at 31 March 2021;
  - the average rate used for the income statement depreciated from 25.65 in 1Q 2020 to 26.14 in 1Q 2021

- HUF (1 EUR = … currency):
  - exchange rate used for balance sheet versus EUR evolved from 363.89 at 31 December 2020 to 363.27 at 31 March 2021;
  - the average rate used for the income statement depreciated from 339.97 in 1Q 2020 to 361.13 in 1Q 2021

COVID-19 (note 1.4)

Introduction

The continuing public health crisis around the world has distressed financial markets amid concerns that the global economy, and the EU's economies in particular, were significantly affected in 2020. The Coronavirus pandemic has triggered a chain of events in the markets that has led to a sharp increase in volatility. The significant deterioration in the economic outlook has brought about an unprecedented monetary policy response from central banks and governments around the world.

Meanwhile, we have been working hard with government agencies to support all customers impacted by coronavirus, by efficiently implementing various relief measures, including loan deferrals. In our six home countries combined, we have granted a total of 13.1 billion euros in loan payment deferrals by the end of March 2021 (according to the EBA definition). A large part of these moratoria have meanwhile expired (91% by the end of March 2021, excl. opt-out of Hungary). For 98% 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

There are no changes in the different government and sector measures in our core countries in 1Q 2021. For the full overview, we refer to the Annual report of 2020.

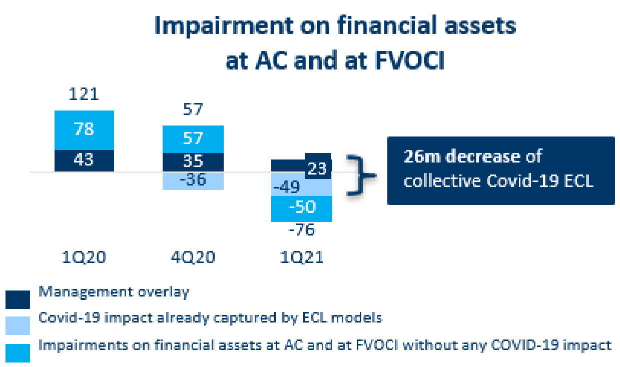
Main Corona related items affecting the results, revaluation reserves, liquidity and solvency

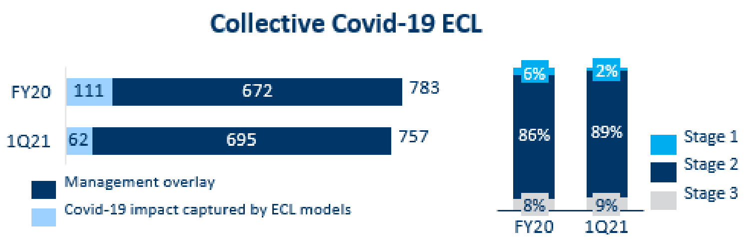
For more information, see the note 1.4 in the annual report of 2020.

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 first quarter of 2021, KBC performed an update of its Covid-19 impact assessment which resulted in a total collective Covid-19 ECL of 757 million euros (versus 783 million euros at the end of 2020). The latter implies a P&L release of 26 million euros in 1Q 2021 compared to the 1 million euros P&L release of 4Q 2020. This q-o-q release is mainly driven by the updated scenario weights.





Interaction between management overlay and business-as-usual ECL process:

After 1Q 2021, the business-as-usual ECL models captured an impact of 62 million (as shown in the bottom graph of previous page) euros through the updated macroeconomic variables used in the calculation (30% in stage 1, 34% in stage 2 and 36% in stage 3), resulting in a q-o-q decrease of 49 million euros. This decrease is the result of 58 million decrease due to the improvement of the forward-looking macroeconomic assumptions which is partly offset by 9 million charges following stage 1 and stage 2 PD migrations.

The total Covid-19 management overlay in the books at the end of March 2021 amounts to 695 million euros, of which 672 million euros was accounted for in 2020 and 23 million euros booked in 1Q 2021. Similar to previous quarters, the management overlay is presented 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.

The total collective Covid-19 ECL of 757 million euros at the end of March 2021 consists of 2% stage 1, 89% stage 2 and 9% stage 3 impairments.

COVID-19 ECL per country – per scenario:

1Q21 EUR m	Performing portfolio impact: *Optimistic* 10%	*Base* 60%	*Pessimistic* 30%	Probability weigthed	Non-Performing portfolio	Total 3M21	1Q21	4Q20	3Q20	2Q20	1Q20
KBC Group	**501**	**609**	**917**	**691**	**66**	**757**	**-26**	**-1**	**-5**	**746**	**43**
By country:											
Belgium	326	344	445	373	20	393	-20	3	-3	378	35
Czech Republic	98	141	203	155	9	164	2	-5	9	152	6
Slovakia	22	33	48	36	0	36	-1	0	-3	39	1
Hungary	25	45	79	53	0	53	-3	2	-1	54	1
Bulgaria	7	17	26	19	5	24	0	1	-5	28	n/a
Ireland	23	29	116	55	32	87	-4	-2	-2	95	n/a

COVID-19 ECL sector* driven – per scenario:

KBC Group Base-case scenario EUR m	Performing portfolio: *High risk sectors* 150%	*Medium risk* 100%	*Low risk sectors* 50%	*Mortgages & other retail*	TOTAL
3M21					
Base-case scenario	**243**	**189**	**54**	**123**	**609**
Optimistic scenario	200	156	47	98	501
Pessimistic scenario	336	265	73	243	917

**The above mentioned sector-effect reflects the fact that some sectors will be more heavily affected than others.*
For more information on this, we refer to the 2020 annual report. There were no changes to the sector risk classification in 1Q 2021.

Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to -0.17% in 1Q 2021.

Credit Cost % *(annualised)*	FY19	FY20	1Q21
Without collective COVID-19 ECL	0.12%	0.16%	-0.11%
With collective COVID-19 ECL		0.60%	-0.17%

Economic scenarios

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

OPTIMISTIC SCENARIO	BASE-CASE SCENARIO	PESSIMISTIC SCENARIO
Virus spread and impact more quickly under control thanks to earlier than expected large-scale availability of vaccines, allowing social distancing measures and other precautionary measures to be lifted sooner	Start of vaccination process and wider testing and tracing will allow only a very moderate easing of precautionary measures in H1 2021. From mid-2021 on, the normalisation of socio-economic interactions will be helped by the mass rollout of effective vaccines. However, as the vaccination process will take time, socio-economic interactions will not return to normal before 2022	The virus reappears and continues to weigh on society and the economy, because of setbacks in the vaccination process (e.g. logistical problems, disappointing immunity results, etc.)
Steep and steady recovery from the first half of 2021 onwards, with a fast return to pre-Covid-19 levels of activity	The recovery will be gradual. It will take until the second half of 2021 for the mass rollout of vaccines to reinforce the recovery to pre-Covid-19 levels of activity by mid-2022	Another (series of) shock(s) takes place, leading to an interrupted and unsteady path to recovery

The Covid-19 pandemic continues to be the main driver of the global economy. However, the rollout of the different vaccines will support the economic recovery in the medium term. The strength and/or timing of the recovery is country-specific and subject to significant uncertainty. Also, the possible resurgence of virus outbreaks remains a concern and is forcing many countries to maintain or even extend specific lockdown measures. 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 first quarter of 2021: 60% for the base-case, 30% for the pessimistic and 10% for the optimistic scenario (versus 55% - 35% -10% at the end of full year 2020).

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

Macroeconomic base scenario – key indicators (March 2021)	**2021**			**2022**		
Scenario	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Real GDP growth						
Euro area	7.3%	3.8%	-0.5%	4.1%	4.1%	1.8%
Belgium	7.5%	4.1%	0.2%	3.6%	4.0%	1.6%
Czech Republic	4.4%	3.5%	0.7%	5.1%	4.6%	2.1%
Hungary	5.5%	4.2%	2.5%	5.5%	5.0%	3.5%
Slovakia	5.6%	4.2%	2.2%	4.8%	4.2%	3.5%
Bulgaria	4.0%	3.0%	-1.0%	3.0%	4.0%	2.0%
Ireland	8.0%	5.0%	1.0%	7.0%	4.0%	1.0%
Unemployment rate						
Belgium	6.2%	7.2%	8.2%	5.9%	6.9%	8.0%
Czech Republic	3.5%	3.7%	4.5%	2.8%	3.0%	4.8%
Hungary	3.9%	4.2%	5.8%	3.7%	4.0%	5.5%
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	5.5%	7.0%	14.0%	4.0%	6.0%	10.0%
House price index						
Belgium	3.0%	-1.0%	-3.0%	2.5%	1.5%	-1.0%
Czech Republic	5.0%	3.7%	-1.0%	4.1%	2.4%	-0.9%
Hungary	5.5%	2.0%	-2.0%	6.0%	3.0%	-1.0%
Slovakia	5.0%	2.0%	-2.0%	4.0%	2.5%	-1.0%
Bulgaria	3.0%	2.5%	2.0%	3.5%	3.2%	3.0%
Ireland	3.0%	1.0%	-2.0%	4.0%	1.0%	-2.0%

Note:

- *The unemployment rate of Ireland includes temporary layoffs rather than permanent job losses, and as such, may improve rapidly over vaccine rollout becomes better established in Ireland.*
- *The macroeconomic information is based on the economic situation in March 2021 and hence does not yet reflect the official macroeconomic figures for 1Q 2021 as reported by different authorities.*

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 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
1Q 2021									
Net interest income	626	215	231	*70*	*57*	*35*	*69*	- 4	**1 068**
Non-life insurance (before reinsurance)	140	43	46	*16*	*11*	*19*	*0*	9	**238**
Earned premiums	289	78	82	*37*	*14*	*31*	*0*	3	**453**
Technical charges	- 149	- 35	- 37	*- 22*	*- 3*	*- 12*	*0*	6	**- 215**
Life insurance (before reinsurance)	- 12	15	9	*2*	*3*	*4*	*0*	0	**12**
Earned premiums	223	43	27	*9*	*8*	*10*	*0*	0	**292**
Technical charges	- 235	- 27	- 18	*- 7*	*- 5*	*- 6*	*0*	0	**- 280**
Ceded reinsurance result	- 1	- 3	- 7	*- 1*	*- 4*	*- 2*	*0*	- 3	**- 13**
Dividend income	6	0	0	*0*	*0*	*0*	*0*	1	**7**
Net result from financial instruments at fair value through profit or loss	120	29	11	*12*	*0*	*0*	*- 1*	- 32	**127**
Net realised result from debt instruments at fair value through OCI	1	0	0	*0*	*0*	*0*	*0*	0	**2**
Net fee and commission income	327	50	66	*43*	*16*	*7*	*- 1*	- 3	**441**
Net other income	41	7	4	*1*	*2*	*2*	*0*	1	**53**
TOTAL INCOME	1 248	356	361	*143*	*86*	*65*	*67*	- 31	**1 933**
Operating expenses	- 821	- 225	- 254	*- 94*	*- 62*	*- 40*	*- 58*	- 21	**- 1 320**
Impairment	65	12	0	*3*	*- 3*	*0*	*0*	1	**77**
of which on FA at amortised cost and at fair value through OCI	62	13	0	*3*	*- 3*	*1*	*0*	1	**76**
Share in results of associated companies and joint ventures	- 1	- 1	0	*0*	*0*	*0*	*0*	0	**- 2**
RESULT BEFORE TAX	490	143	106	*52*	*20*	*25*	*9*	- 51	**688**
Income tax expense	- 110	- 20	- 18	*- 9*	*- 5*	*- 3*	*- 1*	17	**- 131**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	380	123	88	*43*	*15*	*22*	*8*	- 35	**557**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	380	123	88	*43*	*15*	*22*	*8*	- 35	**557**
1Q 2020									
Net interest income	640	351	219	*62*	*50*	*36*	*71*	- 16	**1 195**
Non-life insurance (before reinsurance)	112	31	40	*14*	*7*	*18*	*0*	2	**185**
Earned premiums	283	75	82	*39*	*12*	*31*	*0*	2	**443**
Technical charges	- 172	- 44	- 43	*- 25*	*- 5*	*- 13*	*0*	0	**- 258**
Life insurance (before reinsurance)	- 21	14	8	*1*	*3*	*4*	*0*	0	**0**
Earned premiums	216	52	29	*9*	*9*	*11*	*0*	0	**297**
Technical charges	- 237	- 39	- 21	*- 8*	*- 7*	*- 7*	*0*	0	**- 297**
Ceded reinsurance result	- 9	0	- 3	*- 1*	*0*	*- 2*	*0*	5	**- 7**
Dividend income	11	0	0	*0*	*0*	*0*	*0*	1	**12**
Net result from financial instruments at fair value through profit or loss	- 217	- 125	- 5	*2*	*- 8*	*0*	*2*	- 39	**- 385**
Net realised result from debt instruments at fair value through OCI	0	0	0	*0*	*0*	*0*	*0*	0	**0**
Net fee and commission income	308	55	69	*49*	*15*	*6*	*- 1*	- 2	**429**
Net other income	35	9	6	*2*	*3*	*0*	*0*	0	**50**
TOTAL INCOME	858	335	333	*130*	*70*	*62*	*71*	- 48	**1 479**
Operating expenses	- 828	- 221	- 268	*- 101*	*- 59*	*- 48*	*- 60*	- 21	**- 1 338**
Impairment	- 117	- 9	- 24	*- 16*	*- 6*	*- 3*	*2*	9	**- 141**
of which on FA at amortised cost and at fair value through OCI	- 116	- 8	- 6	*2*	*- 6*	*- 3*	*1*	9	**- 121**
Share in results of associated companies and joint ventures	- 3	0	0	*0*	*0*	*0*	*0*	0	**- 3**
RESULT BEFORE TAX	- 90	105	42	*13*	*4*	*11*	*13*	- 60	**- 3**
Income tax expense	4	- 17	- 7	*- 4*	*- 1*	*- 1*	*- 2*	18	**- 2**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	- 86	88	35	*10*	*4*	*10*	*12*	- 43	**- 5**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	- 86	88	35	*10*	*4*	*10*	*12*	- 43	**- 5**

Other notes

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

(in millions of EUR)	1Q 2021	4Q 2020	1Q 2020
Total	1 068	1 067	1 195
Interest income	1 480	1 464	1 835
Interest income on financial instruments calculated using the effective interest rate method			
Financial assets at AC	1 124	1 130	1 386
Financial assets at FVOCI	74	82	83
Hedging derivatives	84	92	134
Financial liabilities (negative interest)	96	87	20
Other	6	4	3
Interest income on other financial instruments			
Financial assets MFVPL other than held for trading	6	5	3
Financial assets held for trading	91	64	206
Of which economic hedges	*83*	*54*	*197*
Other financial assets at FVPL	0	0	0
Interest expense	- 413	- 397	- 640
Interest expense on financial instruments calculated using the effective interest rate method			
Financial liabilities at AC	- 111	- 127	- 284
Financial assets (negative interest)	- 56	- 36	- 10
Hedging derivatives	- 165	- 165	- 177
Other	- 1	0	- 2
Interest expense on other financial instruments			
Financial liabilities held for trading	- 76	- 66	- 155
Of which economic hedges	*- 67*	*- 57*	*- 145*
Other financial liabilities at FVPL	- 3	- 3	- 10
Net interest expense relating to defined benefit plans	0	- 1	- 1

Note: 1Q 2020 include corrected figures as reported in 2Q 2020, without impact on net interest income.

The vast majority of negative interest on financial liabilities and financial assets relates to transactions with central banks, interbank and professional counterparties as well as the TLTRO (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)	1Q 2021	4Q 2020	1Q 2020
Total	127	80	- 385
Breakdown by driver			
Market value adjustments (xVA)	25	45	- 186
MTM ALM derivatives	- 7	- 30	- 59
Financial instruments to which the overlay is applied	35	23	- 82
Dealing room and other	75	42	- 58

The result from financial instruments at fair value through profit or loss in 1Q 2021 is 47 million euros higher compared to 4Q 2020. The quarter-on-quarter increase is due to:

- Higher dealing room and other income in 1Q 2021
- Less negative MTM ALM derivatives in 1Q 2021 compared to 4Q 2020
- Higher net result on equity instruments (insurance) in 1Q 2021 compared to 4Q 2020, driven by higher realised gains on shares

Partly offset by

- Lower positive impact from market value adjustments (xVA) in 1Q 2021 compared to 4Q 2020, mainly as a result of lower credit and funding value adjustments due to stable counterparty credit and KBC funding spreads in 1Q 2021 versus decreasing counterparty credit and KBC funding spreads in 4Q 2020, which more than offset the effect of lower derivative exposures (increasing yield curve) and higher market value adjustments.

The result from financial instruments at fair value through profit or loss in 1Q 2021 is 512 million euros higher compared to 1Q 2020. This increase is due to:

- Positive market value adjustments in 1Q 2021 compared to very negative market value adjustments in 1Q 2020
- Higher dealing room and other income in 1Q 2021 compared to 1Q 2020, increase situated in both the Czech Republic and in Belgium
- Much higher net result on equity instruments (insurance) in 1Q 2021 compared to 1Q 2020, driven by lower impairments, related to a more favorable stock market evolution compared to 1Q 2020.
- Only slightly negative MTM ALM derivatives in 1Q 2021 compared to very negative MTM ALM derivatives in 1Q 2020

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

(in millions of EUR)	1Q 2021	4Q 2020	1Q 2020
Total	441	403	429
Fee and commission income	639	602	628
Fee and commission expense	- 198	- 200	- 199
Breakdown by type			
Asset Management Services	284	256	275
Fee and commission income	300	272	290
Fee and commission expense	- 16	- 16	- 15
Banking Services	229	223	225
Fee and commission income	315	310	314
Fee and commission expense	- 85	- 87	- 90
Distribution	- 72	- 77	- 71
Fee and commission income	24	20	24
Fee and commission expense	- 97	- 97	- 95

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)	1Q 2021	4Q 2020	1Q 2020
Total	53	37	50
of which gains or losses on			
Sale of financial assets measured at amortised cost	0	1	8
Repurchase of financial liabilities measured at amortised cost	1	0	0
of which other, including:	51	37	42
Income from (mainly operational) leasing activities, KBC Lease Group	20	18	19
Income from VAB Group	15	12	12
Provisioning for tracker mortgage review	0	- 3	0

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
1Q 2021				
Earned premiums, insurance (before reinsurance)	292	457	-	749
of which change in provision unearned premiums	- 1	- 255	-	- 256
Technical charges, insurance (before reinsurance)	- 280	- 215	-	- 495
Claims paid	- 296	- 205	-	- 500
Changes in technical provisions	7	- 6	-	1
Other technical result	9	- 4	-	4
Net fee and commission income	2	- 90	-	- 89
Ceded reinsurance result	- 1	- 12	-	- 13
General administrative expenses	- 52	- 62	- 1	- 114
Internal claims settlement expenses	- 2	- 15	-	- 17
Indirect acquisition costs	- 7	- 16	-	- 24
Administrative expenses	- 43	- 30	-	- 73
Investment management fees	0	0	- 1	- 1
Technical result	- 40	78	- 1	38
Investment Income (*)	96	23	21	140
Technical-financial result	56	101	21	178
Share in results of associated companies and joint ventures	-	-	0	0
RESULT BEFORE TAX	56	101	21	178
Income tax expense	-	-	-	- 31
RESULT AFTER TAX	-	-	-	147
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**147**
1Q 2020				
Earned premiums, insurance (before reinsurance)	297	448	-	745
of which change in provision unearned premiums	- 1	- 230		- 232
Technical charges, insurance (before reinsurance)	- 297	- 259	-	- 556
Claims paid	- 268	- 234	-	- 502
Changes in technical provisions	47	- 8	-	39
Other technical result	- 76	- 17	-	- 93
Net fee and commission income	2	- 87	-	- 85
Ceded reinsurance result	4	- 12	-	- 7
General administrative expenses	- 48	- 63	- 1	- 112
Internal claims settlement expenses	- 2	- 15	-	- 17
Indirect acquisition costs	- 8	- 18	-	- 27
Administrative expenses	- 38	- 30	-	- 68
Investment management fees	0	0	- 1	- 1
Technical result	- 42	27	- 1	- 16
Investment Income (*)	22	9	6	37
Technical-financial result	- 20	36	5	21
Share in results of associated companies and joint ventures	-	-	-	-
RESULT BEFORE TAX	- 20	36	5	21
Income tax expense	-	-	-	- 18
RESULT AFTER TAX	-	-	-	3
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**3**

(*)1Q 2021 consists of (in millions of EUR): Net interest income (98), Net Dividend income (5), Net result from financial instruments at fair value through profit and loss (35), Net result from financial instruments at fair value through OCI (2), Net other income (1) and Impairment (-1).

(*)1Q 2020 consists of (in millions of EUR): Net interest income (111), Net Dividend income (7), Net result from financial instruments at fair value through profit and loss (-79) and Impairment (-2).

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

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2020 annual accounts).

In 1Q 2020 the technical result non-life was negatively impacted by storms in Belgium, Czech Republic and Hungary for an amount of -51 million euros (before reinsurance), versus mild storm effect in 1Q 2021 (-6 million euros, before reinsurance).

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

The operating expenses for 1Q 2021 include 424 million euros related to bank (and insurance) levies (49 million euros in 4Q 2020; 407 million euros in 1Q 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.

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

(in millions of EUR)	1Q 2021	4Q 2020	1Q 2020
Total	**77**	**- 122**	**- 141**
Impairment on financial assets at AC and at FVOCI	76	- 57	- 121
Of which impairment on financial assets at AC	75	- 57	- 120
By product			
Loans and advances	70	- 70	- 111
Debt securities	1	1	0
Off-balance-sheet commitments and financial guarantees	4	13	- 9
By type			
Stage 1 (12-month ECL)	28	20	- 8
Stage 2 (lifetime ECL)	13	- 22	- 46
Stage 3 (non-performing; lifetime ECL)	32	- 56	- 65
Purchased or originated credit impaired assets	2	2	- 1
Of which impairment on financial assets at FVOCI	1	0	- 1
Debt securities	1	0	- 1
Stage 1 (12-month ECL)	2	0	0
Stage 2 (lifetime ECL)	- 1	0	- 1
Stage 3 (non-performing; lifetime ECL)	0	0	0
Impairment on goodwill	0	0	0
Impairment on other	1	- 66	- 20
Intangible fixed assets (other than goodwill)	0	- 59	0
Property, plant and equipment (including investment property)	3	- 4	0
Associated companies and joint ventures	0	0	0
Other	- 2	- 2	- 19

The impairments on financial assets at AC in 1Q 2021 include +26 million euros Covid-19 impact, compared to +1m in 4Q 2020 and -43 million euros in 1Q 2020. For more information, see note 1.4 of this report.

The stage 3 impairments in 1Q 2021 include 50 million euros releases related to a number of corporate files mainly in Belgium and Czech Republic.

The intangible fixed assets (other than goodwill) in 4Q 2020 included -59 million euros impairments on software related to software projects which were (partly) decommissioned (of which -28 million euros in Belgium, -6 million euros in Czech Republic, -5 million euros in Hungary, -2 million euros in Slovakia and -18 million euros in Group Centre).

The impairment on other (Other) included respectively -18 and -2 million euros in 1Q 2020 and in 4Q 2020 related to modification losses in Hungary.

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, 31-03-2021								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 738	0	0	0	0	0	0	**5 739**
of which repayable on demand and term loans at not more than three months								***1 962***
Loans and advances to customers (excl. reverse repos)	160 519	0	441	0	0	0	0	**160 960**
Trade receivables	1 634	0	0	0	0	0	0	**1 634**
Consumer credit	5 431	0	316	0	0	0	0	**5 747**
Mortgage loans	72 962	0	120	0	0	0	0	**73 082**
Term loans	69 496	0	5	0	0	0	0	**69 501**
Finance lease	5 709	0	0	0	0	0	0	**5 709**
Current account advances	4 587	0	0	0	0	0	0	**4 587**
Other	699	0	0	0	0	0	0	**699**
Reverse repos	27 457	0	0	0	539	0	0	**27 996**
with credit institutions and investment firms	24 517	0	0	0	539	0	0	**25 056**
with customers	2 940	0	0	0	0	0	0	**2 940**
Equity instruments	0	326	9	1 331	508	0	0	**2 175**
Investment contracts (insurance)	0	0	13 989	0	0	0	0	**13 989**
Debt securities issued by	49 477	16 937	51	0	3 341	0	0	**69 806**
Public bodies	43 082	11 679	0	0	3 224	0	0	**57 984**
Credit institutions and investment firms	3 840	2 209	0	0	46	0	0	**6 095**
Corporates	2 556	3 049	51	0	71	0	0	**5 727**
Derivatives	0	0	0	0	5 340	0	171	**5 511**
Other	1 203	0	0	0	0	0	0	**1 203**
Total	244 394	17 264	14 490	1 331	9 728	0	171	**287 378**
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, 31-03-2021					
Deposits from credit institutions and investment firms (excl. repos)	40 078	0	0	0	**40 079**
of which repayable on demand					**6 444**
Deposits from customers and debt securities (excl. repos)	230 263	66	1 509	0	**231 838**
Demand deposits	105 742	0	0	0	**105 742**
Time deposits	11 569	12	114	0	**11 696**
Savings accounts	76 464	0	0	0	**76 464**
Special deposits	2 844	0	0	0	**2 844**
Other deposits	522	0	0	0	**522**
Certificates of deposit	14 535	0	5	0	**14 540**
Savings certificates	402	0	0	0	**402**
Non-convertible bonds	15 997	55	1 255	0	**17 307**
Non-convertible subordinated liabilities	2 188	0	135	0	**2 322**
Repos	12 636	32	0	0	**12 668**
with credit institutions and investment firms	11 455	32	0	0	**11 487**
with customers	1 181	0	0	0	**1 181**
Liabilities under investment contracts	0	0	12 922	0	**12 922**
Derivatives	0	4 425	0	1 083	**5 508**
Short positions	0	1 638	0	0	**1 638**
In equity instruments	0	15	0	0	**15**
In debt securities	0	1 622	0	0	**1 622**
Other	2 263	0	0	0	**2 264**
Total	285 241	6 161	14 431	1 083	**306 916**
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 1Q 2021 an additional amount of 2.2 billion euros was drawn, bringing the total TLTRO III funding at 24.2 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)	31-03-2021 Carrying value before impairment	Impairment	Carrying value after impairment	31-12-2020 Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances (*)	197 288	- 3 574	193 714	196 900	- 3 695	193 205
Stage 1 (12-month ECL)	172 424	- 147	172 277	172 059	- 168	171 891
Stage 2 (lifetime ECL)	19 372	- 976	18 396	19 423	- 992	18 431
Stage 3 (lifetime ECL)	5 256	- 2 431	2 825	5 278	- 2 517	2 761
Purchased or originated credit impaired assets (POCI)	235	- 19	216	139	- 18	121
Debt Securities	49 485	- 8	49 477	48 974	- 9	48 965
Stage 1 (12-month ECL)	49 458	- 6	49 453	48 935	- 6	48 929
Stage 2 (lifetime ECL)	24	0	23	36	- 1	35
Stage 3 (lifetime ECL)	3	- 2	1	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	16 946	- 8	16 937	18 166	- 9	18 157
Stage 1 (12-month ECL)	16 837	- 5	16 832	18 028	- 6	18 022
Stage 2 (lifetime ECL)	109	- 4	105	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 164.7, 25.8 and 6.6 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.

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)				31-03-2021				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)	14 988	309	524	15 821	14 722	344	487	15 553
Held for trading	3 479	5 310	939	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	13 605	3 047	612	17 264	14 513	3 364	575	18 451
Hedging derivatives	0	171	0	171	0	160	0	160
Total	32 072	8 837	2 075	42 983	31 881	8 948	2 030	42 859
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 640	3 318	1 203	6 161	1 697	4 270	1 191	7 157
Designated at fair value	12 922	369	1 140	14 431	12 724	377	1 151	14 252
Hedging derivatives	0	1 083	0	1 083	0	1 319	0	1 319
Total	14 562	4 770	2 344	21 675	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 1Q 2021, KBC transferred about 91 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 203 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 three months of 2021, the main 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 53 million euros, primarily due to new transactions
- Financial assets held for trading: the fair value of derivatives decreased by 19 million euros, primarily due to instruments that had reached maturity, only partly offset by changes in fair value 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
- Financial liabilities held for trading: the fair value of derivatives increased by 42 million euros, mainly due to a combination of changes in fair value and new transactions, only partially offset by instruments that had reached maturity. The fair value of debt securities issued decreased by 30 million euros, primarily due to instruments that reached maturity

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

Quantities	31-03-2021	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	*861*	*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 1Q 2021:
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 78 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). The deal is still subject to regulatory approval and is expected to be finalised in the course of 2021. The impact of the deal on KBC's solid capital position will be immaterial.

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 March 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 1Q 2021 of OTP Banka Slovensko as included in the consolidated income statement of KBC:

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

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

Significant non-adjusting events between the balance sheet date (31 March 2021) and the publication of this report (11 May 2021):

- 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. There is no impact on the result of 1Q 2021.

- For 2020 the board of directors has proposed to the general meeting of shareholders, which was approved on 6 May 2021, that a closing dividend of 0.44 euros will be paid out per share entitled to dividend (183 million euros in total) on 19 May 2021. This closing dividend will be deducted from retained earnings in 2Q 2021. At that time this will also negatively impact the net cash (flow) from financing activities.

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 31 MARCH 2021 AND FOR THE THREE-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 31 March 2021 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the three-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the three-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 351.818 million and a consolidated profit (attributable to equity holders of the parent) for the three-month period then ended of EUR 557 million.

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

Scope of Review

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

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Conclusion

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

Sint-Stevens-Woluwe, 10 May 2021

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Roland Jeanquart

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 1Q 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	31-03-2021	31-12-2020
Total loan portfolio (in billions of EUR) [1]		
Amount outstanding and undrawn	225	225
Amount outstanding	180	181
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)		
Belgium	63.9%	64.0%
Czech Republic	17.8%	17.6%
International Markets	16.8%	16.6%
Group Centre	1.4%	1.8%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)		
Private individuals	43.9%	43.0%
Finance and insurance	6.6%	8.0%
Governments	2.9%	2.9%
Corporates	46.5%	46.1%
Services	10.8%	10.8%
Distribution	7.0%	6.9%
Real estate	6.3%	6.3%
Building & construction	3.9%	3.9%
Agriculture, farming, fishing	2.8%	2.7%
Automotive	2.5%	2.5%
Food producers	1.8%	1.8%
Electricity	1.5%	1.6%
Chemicals	1.4%	1.4%
Metals	1.4%	1.4%
Machinery & heavy equipment	0.9%	0.9%
Hotels, bars & restaurants	0.8%	0.7%
Shipping	0.6%	0.6%
Traders	0.6%	0.5%
Electrotechnics	0.5%	0.5%
Oil, gas & other fuels	0.5%	0.5%
Textile & apparel	0.5%	0.4%
Other [2]	2.8%	2.9%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)		
Home countries	88.1%	86.7%
Belgium	54.2%	53.2%
Czech Republic	16.8%	16.6%
Ireland	5.9%	5.8%
Slovakia	5.7%	5.7%
Hungary	3.3%	3.3%
Bulgaria	2.2%	2.1%
Rest of Western Europe	7.4%	8.9%
Rest of Central and Eastern Europe	0.2%	0.2%
North America	1.4%	1.4%
Asia	1.4%	1.2%
Other	1.6%	1.6%
Loan portfolio breakdown by counterparty (as % of the outstanding portfolio)		
Retail	43.9%	42.9%
of which: mortgages	40.6%	39.7%
of which: consumer finance	3.2%	3.2%
SME	21.9%	21.6%
Corporate	34.2%	35.4%

	31-03-2021	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)	85.0%	85.2%
of which: PD 1 - 4	62.1%	62.5%
of which: PD 5 - 9 including unrated	22.9%	22.7%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	11.7%	11.5%
of which: PD 1 - 4	3.6%	3.6%
of which: PD 5 - 9 including unrated	8.2%	7.9%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	3.3%	3.3%
of which: PD 10 impaired loans	1.5%	1.5%
of which: more than 90 days past due (PD 11+12)	1.8%	1.8%
Impaired loan portfolio (in millions of EUR)		
Impaired loans (PD10 + 11 + 12)	5 936	5 902
of which: more than 90 days past due	3 296	3 220
Impaired loans ratio (%)		
Belgium	2.4%	2.3%
Czech Republic	2.2%	2.3%
International Markets	6.7%	6.9%
Group Centre	17.6%	13.9%
Total	3.3%	3.3%
of which: more than 90 days past due	1.8%	1.8%
Loan loss impairment (in millions of EUR)		
Loan loss Impairment for Stage 1 portfolio	167	191
Loan loss Impairment for Stage 2 portfolio	987	998
Loan loss Impairment for Stage 3 portfolio	2 549	2 638
of which: more than 90 days past due	2 078	2 044
Cover ratio of impaired loans (%)		
Loan loss impairments for stage 3 portfolio / impaired loans	42.9%	44.7%
of which: more than 90 days past due	63.0%	63.5%
Cover ratio of impaired loans, mortgage loans excluded (%)		
Loan loss impairments for stage 3 portfolio / impaired loans, mortgage loans excluded	49.7%	52.3%
of which: more than 90 days past due	72.7%	74.8%
Credit cost ratio (%)		
Belgium	-0.21%	0.57%
Czech Republic	-0.16%	0.67%
International Markets	0.00%	0.78%
Slovakia	0.13%	0.50%
Hungary	-0.19%	1.05%
Bulgaria	-0.08%	0.73%
Ireland	0.01%	0.88%
Group Centre	-0.09%	-0.23%
Total	-0.17%	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 31-03-2021, in millions of EUR	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**108 066**			**6 834**			**114 900**		
Counterparty break down		% outst.			% outst.			% outst.	
retail	40 160	37,2%		0	0,0%		40 160	35,0%	
o/w mortgages	38 523	35,6%		0	0,0%		38 523	33,5%	
o/w consumer finance	1 637	1,5%		0	0,0%		1 637	1,4%	
SME	32 303	29,9%		0	0,0%		32 303	28,1%	
corporate	35 603	32,9%		6 834	100,0%		42 436	36,9%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	38 523	35,6%	57%	0	0,0%	-	38 523	33,5%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	418	0,4%	-	0	0,0%	-	418	0,4%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	83 492	77,3%		3 577	52,4%		87 069	75,8%	
medium risk (PD 5-7; 0.80%-6.40%)	18 418	17,0%		2 757	40,3%		21 175	18,4%	
high risk (PD 8-9; 6.40%-100.00%)	3 421	3,2%		268	3,9%		3 690	3,2%	
impaired loans (PD 10 - 12)	2 560	2,4%		221	3,2%		2 782	2,4%	
unrated	175	0,2%		9	0,1%		185	0,2%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 560	1 029	40,2%	221	120	54,4%	2 782	1 149	41,3%
o/w PD 10 impaired loans	1 281	192	15,0%	131	35	26,4%	1 412	227	16,0%
o/w more than 90 days past due (PD 11+12)	1 279	837	65,4%	90	86	95,0%	1 369	923	67,4%
all impairments (stage 1+2+3)	1 608			154			1 762		
o/w stage 1+2 impairments (incl. POCI)	579			34			613		
o/w stage 3 impairments (incl. POCI)	1 029			120			1 149		
2020 Credit cost ratio (CCR)	0,55%			0,83%			0,57%		
2021 Credit cost ratio (CCR) - YTD	-0,20%			-0,47%			-0,21%		

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

31-03-2021, in millions of EUR

Total portfolio outstanding	32 021		
Counterparty break down		% outst.	
retail	18 983	59,3%	
o/w mortgages	16 825	52,5%	
o/w consumer finance	2 157	6,7%	
SME	4 750	14,8%	
corporate	8 289	25,9%	
Mortgage loans		% outst.	ind. LTV
total	16 825	52,5%	60%
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	73	0,2%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	18 252	57,0%	
medium risk (PD 5-7; 0.80%-6.40%)	11 837	37,0%	
high risk (PD 8-9; 6.40%-100.00%)	1 234	3,9%	
impaired loans (PD 10 - 12)	693	2,2%	
unrated	5	0,0%	
Overall risk indicators [1]		stage 3 imp.	% cover
outstanding impaired loans	693	342	49,3%
o/w PD 10 impaired loans	369	115	31,2%
o/w more than 90 days past due (PD 11+12)	324	226	69,8%
all impairments (stage 1+2+3)	605		
o/w stage 1+2 impairments (incl. POCI)	263		
o/w stage 3 impairments (incl. POCI)	342		
2020 Credit cost ratio (CCR)	0,67%		
2021 Credit cost ratio (CCR) - YTD	-0,16%		

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets
31-03-2021, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 448**			**9 938**			**5 907**			**3 930**			**30 223**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
retail	10 317	98,7%		5 540	55,7%		2 306	39,0%		1 537	39,1%		19 700	65,2%	
o/w mortgages	10 260	98,2%		4 898	49,3%		1 697	28,7%		813	20,7%		17 668	58,5%	
o/w consumer finance	58	0,6%		642	6,5%		609	10,3%		723	18,4%		2 032	6,7%	
SME	70	0,7%		1 059	10,7%		144	2,4%		984	25,0%		2 257	7,5%	
corporate	61	0,6%		3 338	33,6%		3 457	58,5%		1 409	35,9%		8 265	27,3%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	10 260	98,2%	66%	4 898	49,3%	66%	1 697	28,7%	54%	813	20,7%	63%	17 668	58,5%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	3	0,0%	83%	74	1,9%	65%	77	0,3%	
o/w ind. LTV > 100%	622	6,0%	-	41	0,4%	-	80	1,4%	-	26	0,7%	-	769	2,5%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	1 120	10,7%		5 698	57,3%		2 922	49,5%		945	24,1%		10 686	35,4%	
medium risk (PD 5-7; 0.80%-6.40%)	7 131	68,3%		2 262	22,8%		2 668	45,2%		2 473	62,9%		14 534	48,1%	
high risk (PD 8-9; 6.40%-100.00%)	807	7,7%		566	5,7%		204	3,5%		228	5,8%		1 805	6,0%	
impaired loans (PD 10 - 12)	1 390	13,3%		228	2,3%		111	1,9%		283	7,2%		2 012	6,7%	
unrated	0	0,0%		1 184	11,9%		1	0,0%		0	0,0%		1 185	3,9%	
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	1 390	370	26,6%	228	159	69,9%	111	56	49,9%	283	113	39,9%	2 012	698	34,7%
o/w PD 10 impaired loans	632	72	11,4%	59	24	40,4%	44	13	28,9%	68	8	12,4%	803	117	14,6%
o/w more than 90 days past due (PD 11+12)	758	298	39,3%	169	135	80,1%	68	43	63,4%	215	104	48,6%	1 209	580	48,0%
all impairments (stage 1+2+3)	441			263			128			143			974		
o/w stage 1+2 impairments (incl. POCI)	71			104			73			30			277		
o/w stage 3 impairments (incl. POCI)	370			159			56			113			698		
2020 Credit cost ratio (CCR)	0,88%			0,50%			1,05%			0,73%			0,78%		
2021 Credit cost ratio (CCR) - YTD	0,01%			0,13%			-0,19%			-0,08%			0,00%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre [1]
31-03-2021, in millions of EUR

Total portfolio outstanding	**2 555**		
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	2 555	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%)	1 994	78,0%	
medium risk (PD 5-7; 0.80%-6.40%)	113	4,4%	
high risk (PD 8-9; 6.40%-100.00%)	0	0,0%	
impaired loans (PD 10 - 12)	449	17,6%	
unrated	0	0,0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	449	360	80,2%
o/w PD 10 impaired loans	56	12	21,7%
o/w more than 90 days past due (PD 11+12)	393	348	88,6%
all impairments (stage 1+2+3)	361		
o/w stage 1+2 impairments (incl. POCI)	1		
o/w stage 3 impairments (incl. POCI)	360		
2020 Credit cost ratio (CCR)	-0,23%		
2021 Credit cost ratio (CCR) - YTD	-0,09%		

Remarks

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

Solvency[(1)]

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the competent regulator.

Solvency KBC Group

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD. 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 93% of the weighted credit risks, of which approx. 89% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 7%) are calculated according to the Standardised approach.

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

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

(1) *Fully in line with the European Central Bank recommendation of 15 December 2020 to limit dividend payment re. 2019 and 2020 profits to the lower of 15% of cumulated 2019-2020 profits and 20 basis points of RWA. For more information see note 'Consolidated statement of changes in equity'.*

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)	**31-03-2021**		**31-12-2020**	
(consolidated, under CRR, Danish compromise method)	**Fully loaded**	**Actuals**	**Fully loaded**	**Actuals**
CET1 Pillar 1 minimum	4.50%	4.50%	4.50%	4.50%
Pillar 2 requirement	1.75%	1.75%	1.75%	1.75%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Buffer for systemically important institutions (O-SII)	1.50%	1.50%	1.50%	1.50%
Entity-specific countercyclical buffer	0.20%	0.17%	0.20%	0.17%
Overall Capital Requirement (OCR)	**10.45%**	**10.42%**	**10.45%**	**10.42%**
CET1 used to satisfy shortfall in AT1 bucket (*)	0.04%	0.04%	0.03%	0.03%
CET1 used to satisfy shortfall in T2 bucket (*)	-0.15%	0.10%	-0.13%	0.12%
CET1 requirement (MDA)	**10.34%**	**10.56%**	**10.35%**	**10.57%**
CET1 capital	18 108	18 589	17 948	18 441
CET1 buffer (= buffer to MDA)	7 476	7 764	7 382	7 681

(*) A negative figure relates to a surplus above the pillar 1 bucket for these instruments, which is available to partly satisfy the pillar 2 requirement.

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) 31-03-2021		**numerator (common equity)**	**denominator (total weighted risk volume)**	**ratio (%)**
Common Equity ratio				
Danish Compromise	Fully loaded	18 108	102 796	17.62%
Deduction Method	Fully loaded	17 458	98 207	17.78%
Financial Conglomerates Directive	Fully loaded	19 493	116 440	16.74%
Danish Compromise	Transitional	18 589	102 528	18.13%
Deduction Method	Transitional	17 938	97 939	18.32%
Financial Conglomerates Directive	Transitional	19 973	116 172	17.19%

KBC's fully loaded CET1 ratio of 17.62% at end 3M 2021 represents a solid capital buffer:

- 9.67% capital buffer compared with the current theoretical minimum capital requirement of 7.95% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
- 7.17% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45% (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
- 7.27% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.34%.

Danish Compromise

In millions of EUR	31-03-2021 Fully loaded	31-03-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Total regulatory capital (after profit appropriation)	21 816	22 039	21 627	21 856
Tier-1 capital	19 608	20 089	19 448	19 941
Common equity	18 108	18 589	17 948	18 441
Parent shareholders' equity (after deconsolidating KBC Insurance)	18 946	18 946	18 688	18 688
Intangible fixed assets, incl deferred tax impact (-)	- 536	- 536	- 568	- 568
Goodwill on consolidation, incl deferred tax impact (-)	- 737	- 737	- 734	- 734
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	1 156	1 156	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 (-)	- 183	- 183	- 183	- 183
Coupon of AT1 instruments (-)	- 15	- 15	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 57	- 57	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 58	- 58	- 58	- 58
Deduction re NPL backstops (-)	- 12	- 12	- 11	- 11
IRB provision shortfall (-)	0	0	0	0
Deferred tax assets on losses carried forward (-)	- 361	- 361	- 373	- 373
Transitional adjustments to CET1	0	480	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	2 207	1 950	2 178	1 914
IRB provision excess (+)	462	462	427	427
Transitional adjustments to T2	0	- 257	0	- 264
Subordinated liabilities	1 745	1 745	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	102 796	102 528	102 111	101 843
Banking	93 514	93 246	92 903	92 635
Insurance	9 133	9 133	9 133	9 133
Holding activities	143	143	66	66
Elimination of intercompany transactions	5	5	9	9
Solvency ratios				
Common equity ratio	17.62%	18.13%	17.58%	18.11%
Tier-1 ratio	19.08%	19.59%	19.05%	19.58%
Total capital ratio	21.22%	21.50%	21.18%	21.46%

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

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III) In millions of EUR	31-03-2021 Fully loaded	31-03-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Tier-1 capital	19 608	20 089	19 448	19 941
Total exposures	336 543	337 157	303 069	303 696
Total Assets	351 818	351 818	320 743	320 743
Deconsolidation KBC Insurance	-33 248	-33 248	-32 972	-32 972
Transitional adjustment	0	614	0	
Adjustment for derivatives	-2 338	-2 338	-4 158	-4 158
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 726	-1 726	-1 825	-1 825
Adjustment for securities financing transaction exposures	748	748	830	830
Off-balance sheet exposures	21 289	21 289	20 451	20 451
Leverage ratio	5.83%	5.96%	6.42%	6.57%

At the end of March 2021, the leverage ratio decreased mainly due to an increase of total assets (driven by increased short-term money market & repo opportunities).

Solvency banking and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD. 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)	31-03-2021 Fully loaded	31-03-2021 Transitional	31-12-2020 Fully loaded	31-12-2020 Transitional
Total regulatory capital, after profit appropriation	17 860	18 139	17 792	18 021
Tier-1 capital	15 683	16 163	15 585	16 078
Common equity	14 183	14 663	14 085	14 578
Parent shareholders' equity	14 778	14 778	14 567	14 567
Solvency adjustments	- 595	- 114	- 481	12
Additional going concern capital	1 500	1 500	1 500	1 500
Tier-2 capital	2 177	1 975	2 206	1 942
Total weighted risk volume	93 514	93 246	92 903	92 635
Credit risk	79 142	78 874	78 785	78 518
Market risk	2 971	2 971	2 716	2 716
Operation risk	11 401	11 401	11 401	11 401
Common equity ratio	15.2%	15.7%	15.2%	15.7%

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-03-2021	31-12-2020
Own Funds	4 273	3 868
Tier 1	3 773	3 368
IFRS Parent shareholders equity	3 884	3 815
Dividend payout	-84	0
Deduction intangible assets and goodwill (after tax)	- 137	- 136
Valuation differences (after tax)	78	- 383
Volatility adjustment	83	89
Other	- 50	- 16
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 822	1 744
Market risk	1 451	1 355
Non-life	582	583
Life	737	735
Health	269	305
Counterparty	128	101
Diversification	-1 031	-1 027
Other	- 312	- 308
Solvency II ratio	235%	222%

Minimum requirement for own funds and eligible liabilities (MREL)

Besides the ECB and NBB, which supervise KBC on a going concern basis, KBC is also subject to requirements set by the Single Resolution Board (SRB). The SRB is developing resolution plans for the major banks in the euro area. The resolution plan for KBC is based on a Single Point of Entry (SPE) approach at the level of KBC Group with 'bail-in' as the primary resolution tool. MREL measures the amount of own funds and eligible liabilities that can be credibly and feasibly bailed-in.

The Eligible instruments to satisfy the MREL target are defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16th January 2019. The SRB communicated to KBC new draft MREL targets (under BRRD2)(1), 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) needs to be met on top);
- 7.34% of LRE as from 01-01-2022.

At the end of March 2021, the MREL ratio stands at 27.4% as a % of RWA (versus 27.9% as at 31-12-2020) and at 8.3% as % of LRE (versus 9.3% as at 31-12-2020).

(1) Final confirmation letter expected shortly.
(2) Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII Buffer (1.5%) + Countercyclical Buffer (0.20%), 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)	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Breakdown P&L					
Net interest income	626	631	673	635	640
Non-life insurance (before reinsurance)	140	127	157	167	112
Earned premiums	289	290	287	280	283
Technical charges	- 149	- 164	- 130	- 113	- 172
Life insurance (before reinsurance)	- 12	- 10	- 16	- 16	- 21
Earned premiums	223	298	191	208	216
Technical charges	- 235	- 308	- 206	- 224	- 237
Ceded reinsurance result	- 1	10	- 3	- 10	- 9
Dividend income	6	10	10	16	11
Net result from financial instruments at fair value through profit or loss	120	33	67	149	- 217
Net realised result from debt instruments at fair value through OCI	1	- 2	1	1	0
Net fee and commission income	327	287	271	271	308
Net other income	41	41	36	45	35
TOTAL INCOME	1 248	1 127	1 197	1 256	858
Operating expenses	- 821	- 530	- 520	- 521	- 828
Impairment	65	- 67	- 43	- 469	- 117
on financial assets at AC and at FVOCI	62	- 39	- 41	- 458	- 116
other	3	- 27	- 2	- 11	0
Share in results of associated companies and joint ventures	- 1	- 1	- 2	- 3	- 3
RESULT BEFORE TAX	490	529	633	264	- 90
Income tax expense	- 110	- 132	- 147	- 59	4
RESULT AFTER TAX	380	396	486	204	- 86
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**380**	**396**	**486**	**204**	**- 86**
Banking	282	285	352	68	- 55
Insurance	98	111	134	136	- 30
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	103 960	103 092	103 844	103 689	104 969
of which Mortgage loans (end of period)	*39 452*	*38 831*	*37 717*	*36 863*	*36 489*
Customer deposits and debt certificates excl. repos (end of period)	150 296	135 442	137 271	136 928	138 045
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	13 018	13 032	12 944	13 005	13 074
Unit-Linked (end of period)	13 014	12 819	12 576	12 599	12 064
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	53 759	52 671	53 363	52 938	54 098
Required capital, insurance (end of period)	1 546	1 491	1 393	1 358	1 296
Allocated capital (end of period)	7 164	6 995	6 970	6 943	7 003
Return on allocated capital (ROAC)	21%	23%	28%	12%	-5%
Cost/income ratio, group	66%	47%	43%	41%	96%
Combined ratio, non-life insurance	80%	87%	81%	74%	95%
Net interest margin, banking	1.63%	1.59%	1.63%	1.63%	1.68%

Business unit Czech Republic (in millions of EUR)	**1Q 2021**	**4Q 2020**	**3Q 2020**	**2Q 2020**	**1Q 2020**
Breakdown P&L					
Net interest income	215	206	220	235	351
Non-life insurance (before reinsurance)	43	36	36	38	31
Earned premiums	78	77	78	72	75
Technical charges	- 35	- 41	- 42	- 35	- 44
Life insurance (before reinsurance)	15	10	12	12	14
Earned premiums	43	59	50	44	52
Technical charges	- 27	- 49	- 38	- 32	- 39
Ceded reinsurance result	- 3	0	- 1	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	29	26	16	90	- 125
Net realised result from debt instruments at fair value through OCI	0	0	0	1	0
Net fee and commission income	50	46	52	51	55
Net other income	7	- 3	3	3	9
TOTAL INCOME	356	322	337	431	335
Operating expenses	- 225	- 187	- 179	- 164	- 221
Impairment	12	- 24	- 18	- 175	- 9
on financial assets at AC and at FVOCI	13	- 17	- 15	- 170	- 8
other	- 1	- 7	- 3	- 5	- 1
Share in results of associated companies and joint ventures	- 1	- 1	0	0	0
RESULT BEFORE TAX	143	111	139	91	105
Income tax expense	- 20	- 17	- 23	- 14	- 17
RESULT AFTER TAX	123	94	116	77	88
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**123**	**94**	**116**	**77**	**88**
Banking	105	81	104	61	75
Insurance	18	12	12	16	13
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	29 273	29 099	28 106	28 597	28 286
of which Mortgage loans (end of period)	*16 449*	*16 190*	*15 384*	*15 418*	*14 876*
Customer deposits and debt certificates excl. repos (end of period)	43 079	41 610	39 162	39 704	37 627
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	663	655	622	613	588
Unit-Linked (end of period)	576	614	615	659	655
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 109	15 338	14 971	15 338	15 349
Required capital, insurance (end of period)	149	137	131	128	126
Allocated capital (end of period)	1 728	1 739	1 696	1 746	1 745
Return on allocated capital (ROAC)	28%	22%	27%	18%	20%
Cost/income ratio, group	63%	58%	53%	39%	66%
Combined ratio, non-life insurance	83%	87%	90%	81%	90%
Net interest margin, banking	1.99%	1.95%	2.05%	2.32%	2.98%

Business unit International Markets (in millions of EUR)	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Breakdown P&L					
Net interest income	231	229	227	219	219
Non-life insurance (before reinsurance)	46	31	34	46	40
Earned premiums	82	80	81	78	82
Technical charges	- 37	- 49	- 47	- 33	- 43
Life insurance (before reinsurance)	9	5	4	10	8
Earned premiums	27	26	25	24	29
Technical charges	- 18	- 22	- 21	- 15	- 21
Ceded reinsurance result	- 7	2	- 1	- 3	- 3
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	11	16	18	14	- 5
Net realised result from debt instruments at fair value through OCI	0	0	0	1	0
Net fee and commission income	66	69	68	67	69
Net other income	4	1	- 4	5	6
TOTAL INCOME	361	353	347	359	333
Operating expenses	- 254	- 231	- 200	- 196	- 268
Impairment	0	- 15	1	- 213	- 24
on financial assets at AC and at FVOCI	0	- 1	6	- 217	- 6
other	- 1	- 13	- 5	4	- 18
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	106	107	148	- 50	42
Income tax expense	- 18	- 20	- 24	5	- 7
RESULT AFTER TAX	88	86	123	- 45	35
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**88**	**86**	**123**	**- 45**	**35**
Banking	72	79	112	- 66	19
Insurance	17	7	11	21	16
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	27 726	27 430	25 824	25 277	25 109
of which Mortgage loans (end of period)	*17 180*	*16 929*	*15 952*	*15 650*	*15 536*
Customer deposits and debt certificates excl. repos (end of period)	27 438	28 075	24 789	24 272	23 197
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	250	249	250	254	254
Unit-Linked (end of period)	399	398	390	397	373
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	23 020	23 224	20 791	20 736	21 507
Required capital, insurance (end of period)	135	135	130	127	123
Allocated capital (end of period)	2 541	2 561	2 302	2 315	2 391
Return on allocated capital (ROAC)	14%	15%	21%	-8%	6%
Cost/income ratio, group	70%	66%	58%	55%	80%
Combined ratio, non-life insurance	78%	90%	89%	75%	82%
Net interest margin, banking	2.56%	2.59%	2.61%	2.58%	2.61%

Slovakia (in millions of EUR)	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Breakdown P&L					
Net interest income	57	51	52	49	50
Non-life insurance (before reinsurance)	11	4	7	8	7
Earned premiums	14	14	13	13	12
Technical charges	- 3	- 10	- 6	- 4	- 5
Life insurance (before reinsurance)	3	3	3	3	3
Earned premiums	8	8	9	8	9
Technical charges	- 5	- 5	- 5	- 5	- 7
Ceded reinsurance result	- 4	4	- 1	- 1	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	3	6	7	- 8
Net realised result from debt instruments at fair value through OCI	0	0	0	1	0
Net fee and commission income	16	14	15	14	15
Net other income	2	2	1	2	3
TOTAL INCOME	86	82	84	84	70
Operating expenses	- 62	- 48	- 46	- 51	- 59
Impairment	- 3	- 2	5	- 41	- 6
on financial assets at AC and at FVOCI	- 3	1	5	- 41	- 6
other	0	- 2	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	20	32	43	- 8	4
Income tax expense	- 5	- 6	- 10	2	- 1
RESULT AFTER TAX	15	25	33	- 6	4
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**15**	**25**	**33**	**- 6**	**4**
Banking	12	23	30	- 9	1
Insurance	3	3	3	3	3
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	9 090	9 016	7 857	7 683	7 607
of which Mortgage loans (end of period)	*4 814*	*4 707*	*3 992*	*3 846*	*3 714*
Customer deposits and debt certificates excl. repos (end of period)	8 178	8 601	7 100	6 531	6 287
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	115	114	114	114	114
Unit-Linked (end of period)	73	83	87	92	89
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 809	5 919	5 011	5 104	5 123
Required capital, insurance (end of period)	29	29	28	27	26
Allocated capital (end of period)	636	648	552	565	567
Return on allocated capital (ROAC)	10%	18%	24%	-5%	3%
Cost/income ratio, group	72%	59%	54%	61%	85%
Combined ratio, non-life insurance	85%	80%	87%	79%	82%

Hungary (in millions of EUR)	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Breakdown P&L					
Net interest income	70	68	68	64	62
Non-life insurance (before reinsurance)	16	12	12	17	14
Earned premiums	37	34	35	35	39
Technical charges	- 22	- 23	- 24	- 17	- 25
Life insurance (before reinsurance)	2	- 2	- 2	2	1
Earned premiums	9	9	9	8	9
Technical charges	- 7	- 11	- 11	- 6	- 8
Ceded reinsurance result	- 1	0	- 1	- 1	- 1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	12	14	12	10	2
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	43	49	46	46	49
Net other income	1	1	0	0	2
TOTAL INCOME	143	142	136	140	130
Operating expenses	- 94	- 79	- 74	- 69	- 101
Impairment	3	- 17	- 2	- 50	- 16
on financial assets at AC and at FVOCI	3	- 8	3	- 55	2
other	0	- 9	- 5	6	- 18
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	52	46	59	21	13
Income tax expense	- 9	- 8	- 9	- 5	- 4
RESULT AFTER TAX	43	38	51	16	10
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**43**	**38**	**51**	**16**	**10**
Banking	36	35	46	7	2
Insurance	8	4	4	9	8
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	5 047	4 940	4 775	4 617	4 534
of which Mortgage loans (end of period)	*1 657*	*1 600*	*1 541*	*1 512*	*1 467*
Customer deposits and debt certificates excl. repos (end of period)	8 766	8 982	7 983	8 011	7 435
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	46	46	46	49	48
Unit-Linked (end of period)	258	255	251	258	243
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	7 165	6 961	6 895	6 865	6 555
Required capital, insurance (end of period)	48	47	45	47	44
Allocated capital (end of period)	797	775	766	772	735
Return on allocated capital (ROAC)	22%	21%	27%	8%	5%
Cost/income ratio, group	66%	56%	55%	50%	77%
Combined ratio, non-life insurance	78%	93%	92%	76%	84%

Bulgaria **(in millions of EUR)**	**1Q 2021**	**4Q 2020**	**3Q 2020**	**2Q 2020**	**1Q 2020**
Breakdown P&L					
Net interest income	35	36	36	36	36
Non-life insurance (before reinsurance)	19	15	15	20	18
Earned premiums	31	32	32	31	31
Technical charges	- 12	- 17	- 17	- 11	- 13
Life insurance (before reinsurance)	4	3	3	5	4
Earned premiums	10	9	7	9	11
Technical charges	- 6	- 6	- 4	- 4	- 7
Ceded reinsurance result	- 2	- 2	0	- 1	- 2
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	7	8	8	6	6
Net other income	2	1	1	1	0
TOTAL INCOME	65	61	63	67	62
Operating expenses	- 40	- 33	- 31	- 27	- 48
Impairment	0	0	- 2	- 25	- 3
on financial assets at AC and at FVOCI	1	1	- 2	- 23	- 3
other	0	- 1	0	- 1	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	25	28	30	16	11
Income tax expense	- 3	- 3	- 3	- 2	- 1
RESULT AFTER TAX	22	25	27	14	10
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**22**	**25**	**27**	**14**	**10**
Banking	15	23	22	4	4
Insurance	7	2	5	9	6
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	3 547	3 508	3 413	3 307	3 213
of which Mortgage loans (end of period)	*790*	*778*	*752*	*723*	*703*
Customer deposits and debt certificates excl. repos (end of period)	5 560	5 453	4 802	4 634	4 497
Technical provisions plus unit-linked, life insurance					
Interest Guaranteed (end of period)	89	88	90	91	92
Unit-Linked (end of period)	68	60	52	47	41
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 233	3 254	3 133	3 073	3 770
Required capital, insurance (end of period)	58	58	57	53	53
Allocated capital (end of period)	396	398	384	377	450
Return on allocated capital (ROAC)	22%	25%	27%	13%	9%
Cost/income ratio, group	62%	54%	49%	41%	78%
Combined ratio, non-life insurance	76%	89%	85%	70%	82%

Ireland **(in millions of EUR)**	**1Q 2021**	**4Q 2020**	**3Q 2020**	**2Q 2020**	**1Q 2020**
Breakdown P&L					
Net interest income	69	74	72	69	71
Non-life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	0	0	0	0	0
Technical charges	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	- 1	- 2	- 1	- 3	2
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 1	- 1	- 1	0	- 1
Net other income	0	- 3	- 6	0	0
TOTAL INCOME	67	68	64	65	71
Operating expenses	- 58	- 71	- 49	- 48	- 60
Impairment	0	4	0	- 97	2
on financial assets at AC and at FVOCI	0	5	0	- 97	1
other	0	- 1	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	9	1	15	- 80	13
Income tax expense	- 1	- 4	- 2	10	- 2
RESULT AFTER TAX	8	- 3	13	- 70	12
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**8**	**- 3**	**13**	**- 70**	**12**
Banking	9	- 2	14	- 68	12
Insurance	- 1	- 1	- 1	- 1	0
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	10 042	9 966	9 779	9 670	9 754
of which Mortgage loans (end of period)	*9 919*	*9 844*	*9 666*	*9 569*	*9 651*
Customer deposits and debt certificates excl. repos (end of period)	4 935	5 040	4 904	5 095	4 978
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 813	7 089	5 750	5 692	6 057
Allocated capital (end of period)	712	741	601	600	639
Return on allocated capital (ROAC)	4%	-2%	8%	-44%	7%
Cost/income ratio, group	86%	104%	77%	73%	83%

Group Centre - Breakdown net result (in millions of EUR)	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Operational costs of the Group activities	- 16	- 42	- 20	- 18	- 15
Capital and treasury management	- 4	- 4	1	- 6	- 11
Holding of participations	1	- 1	2	- 1	- 3
Results companies in rundown	0	0	- 4	- 1	3
Other	- 15	9	- 8	0	- 18
Total net result for the Group centre	- 35	- 38	- 28	- 26	- 43

Business unit Group Centre (in millions of EUR)	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Breakdown P&L					
Net interest income	- 4	2	2	- 6	- 16
Non-life insurance (before reinsurance)	9	- 2	7	5	2
Earned premiums	3	3	3	4	2
Technical charges	6	- 4	4	1	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	- 3	- 2	- 4	- 1	5
Dividend income	1	1	1	1	1
Net result from financial instruments at fair value through profit or loss	- 32	4	- 16	1	- 39
Net realised result from debt instruments at fair value through OCI	0	0	0	0	0
Net fee and commission income	- 3	0	- 1	- 1	- 2
Net other income	1	- 2	1	0	0
TOTAL INCOME	- 31	0	- 9	- 2	- 48
Operating expenses	- 21	- 39	- 27	- 24	- 21
Impairment	1	- 17	- 2	0	9
on financial assets at AC and at FVOCI	1	1	- 2	0	9
other	0	- 18	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
RESULT BEFORE TAX	- 51	- 57	- 38	- 26	- 60
Income tax expense	17	18	10	0	18
RESULT AFTER TAX	- 35	- 38	- 28	- 26	- 43
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**- 35**	**- 38**	**- 28**	**- 26**	**- 43**
Banking	- 48	- 9	- 22	- 21	- 49
Holding	- 2	- 31	- 6	- 5	3
Insurance	15	2	0	0	4
Breakdown Loans and deposits					
Total customer loans excluding reverse repos (end of period)	0	1	0	0	0
of which Mortgage loans (end of period)	*0*	*0*	*0*	*0*	*0*
Customer deposits and debt certificates excl. repos (end of period)	11 025	10 303	10 450	9 908	9 426
Performance Indicators					
Risk-weighted assets, banking (end of period, Basel III fully loaded)	1 773	1 744	1 912	2 209	2 339
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)	- 8	- 18	- 18	- 15	- 22
Allocated capital (end of period)	178	164	182	218	224

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	1Q 2021	2020	1Q 2020
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	557	1 440	- 5
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 50	- 12
/				
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)		1.31	3.34	-0.04
Diluted = (A-B) / (D) (in EUR)		1.31	3.34	-0.04

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	1Q 2021	2020	1Q 2020
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	229	945	275
/				
Earned insurance premiums (B)	Note 3.7.1	443	1 742	436
+				
Operating expenses (C)	Note 3.7.1	149	536	145
/				
Written insurance premiums (D)	Note 3.7.1	559	1 769	543
= (A/B)+(C/D)		78.3%	84.5%	89.7%

Common equity ratio

A risk-weighted measure of the group's solvency based on common equity tier-1 capital (the ratios given here are based on the Danish compromise). 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	1Q 2021	2020	1Q 2020
Cost/income ratio				
Operating expenses of the group activities (A)	'Consolidated income statement': component of 'Operating expenses'	1 320	4 156	1 338
/				
Total income of the group activities (B)	'Consolidated income statement': component of 'Total income'	1 933	7 195	1 479
=(A) / (B)		68.3%	57.8%	90.5%

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 53% in 1Q 2021 (versus 57% in FY 2020 and 70% in 1Q 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	1Q 2021	2020	1Q 2020
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 549	2 638	2 568
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 936	5 902	5 921
= (A) / (B)		42.9%	44.7%	43.4%

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	1Q 2021	2020	1Q 2020
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	- 75	1 068	120
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	180 295	177 542	177 566
= (A) (annualised) / (B)		-0.17%	0.60%	0.27%

The credit cost ratio of FY 2020 includes a collective Covid-19 expected credit loss (ECL) of 783 million euros, of which: (i) a total management overlay of 672 million euros and (ii) an impact of 111 million euros captured by our ECL models after 12 months. Without the Covid-19 ECL impact, the credit cost ratio amounts to 0.16%. In the first quarter of 2021, the credit cost ratio excluding the reversal of the Covid-19 expected credit loss of 26 million euros, amounted to -0.11%.

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	1Q 2021	2020	1Q 2020
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 936	5 902	5 921
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	179 699	180 891	179 702
= (A) / (B)		3.3%	3.3%	3.3%

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	1Q 2021	2020	1Q 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	87 270	81 833	73 621
/				
Total net cash outflows over the next 30 calendar days (B)		55 593	55 714	54 541
= (A) / (B)		157%	147%	135%

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1Q 2021	2020	1Q 2020
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	160 960	159 621	158 364
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	1 065	3 295	3 562
+				
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'	5 488	6 056	6 180
+				
Other exposures to credit institutions (D)		4 257	4 009	4 869
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	8 361	7 919	8 419
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	3 580	3 703	2 862
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 148	- 2 198	- 2 289
+				
Non-loan-related receivables (H)		- 564	- 592	- 1 112
+				
Other (I)	Component of Note 4.1	- 1 299	- 923	- 1 153
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		179 699	180 891	179 702

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	1Q 2021	2020	1Q 2020
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	930	3 788	983
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	208 838	203 616	200 041
= (A) (annualised x360/number of calendar days) / (B)		1.78%	1.84%	1.97%

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	1Q 2021	2020	1Q 2020
Available amount of stable funding (A)	As of 2020: Regulation (EU) 2019/876 dd. 20-05-2019	217 142	209 932	176 050
/				
Required amount of stable funding (B)		146 452	143 901	131 156
= (A) / (B)		148.3%	145.9%	134.2%

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	1Q 2021	2020	1Q 2020
Parent shareholders' equity (A)	'Consolidated balance sheet'	20 768	20 030	18 080
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	417	417	416
= (A) / (B) (in EUR)		49.84	48.07	43.42

The parent shareholder's equity of 1Q 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	1Q 2021	2020	1Q 2020
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	380	1 001	- 86
/				
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)		7 080	6 894	6 809
= (A) annualised / (B)		21.5%	14.5%	-5.0%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	123	375	88
/				
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)		1 734	1 717	1 709
= (A) annualised / (B)		28.3%	21.7%	20.1%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	88	199	35
/				
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)		2 551	2 367	2 339
= (A) annualised / (B)		13.9%	8.4%	5.9%

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	1Q 2021	2020	1Q 2020
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	557	1 440	- 5
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 50	- 12
/				
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'	18 996	17 954	17 233
= (A-B) (annualised) / (C)		11.5%	7.7%	-0.4%

The return on equity amounts to 16% in 1Q 2021 when including evenly spreading of the bank taxes throughout the year.

The parent shareholder's equity of 1Q 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	1Q 2021	2020	1Q 2020
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	292	1 223	297
+				
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)	-	177	764	128
Total sales Life (A)+ (B) + (C)		471	1 989	427

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	1Q 2021	2020	1Q 2020
Belgium Business Unit (A)	Company presentation on www.kbc.com	203	194	178
+				
Czech Republic Business Unit (B)		12	11	10
+				
International Markets Business Unit (C)		6	6	5
A)+(B)+(C)		220	212	193