KBC Group Quarterly Report 3Q2019

KBC

KBC Group

Report for 3Q2019

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Consolidated financial statements

Additional information

Management certification

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

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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Third-quarter result of 612 million euros

KBC Group - overview (consolidated, IFRS)	3Q2019	2Q2019	3Q2018	9M2019	9M2018
Net result (in millions of EUR)	612	745	701	1 787	1 948
Basic earnings per share (in EUR)	1.44	1.76	1.63	4.19	4,54
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	*368*	*388*	*409*	*932*	*1 089*
Czech Republic	*159*	*248*	*168*	*584*	*484*
International Markets	*85*	*104*	*141*	*260*	*440*
Group Centre	*0*	*4*	*-17*	*10*	*-64*
Parent shareholders' equity per share (in EUR, end of period)	43.5	42.8	40.6	43.5	40.6

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

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

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

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

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

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

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

Johan Thijs
Chief Executive Officer

Financial highlights in the third quarter of 2019

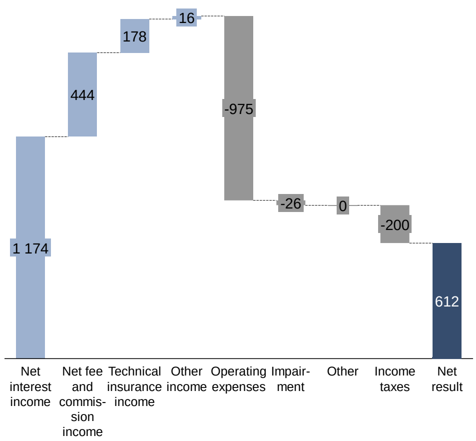
- Commercial bank-insurance franchises in our core markets performed well.
- Lending volumes were up 1% quarter-on-quarter and 4% year-on-year, with year-on-year growth recorded in all business units. Deposits including debt certificates were up 3% quarter-on-quarter and 4% year-on-year. The figures have been calculated on a 'comparable scope' basis.
- Net interest income increased by 4% compared to the previous quarter and was up 3% year-on-year. In general, net interest income continued to benefit from loan volume growth, the full consolidation of ČMSS since June 2019, the increase in short-term interest rates in the Czech Republic and lower funding costs (year-on-year). These items managed to offset the negative impact of a number of factors, including the continued pressure on loan portfolio margins and low reinvestment yields in our euro-area core countries.
- Sales of our non-life insurance products were up 9% year-on-year. Technical income from these non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was down 4% on the result for the year-earlier quarter, with higher technical charges and a lower ceded reinsurance result more than offsetting the growth in earned premiums. The combined ratio for the first nine months of the year amounted to 92%, compared to 88% for full-year 2018. Sales of our life insurance products were up 5% year-on-year, but down 12% on the level recorded in the previous quarter.
- Net fee and commission income was up 2% and 5% on the figure recorded in the previous quarter and year-earlier quarter, respectively. Items contributing to this growth were the full consolidation of ČMSS (since June 2019), increased banking-services-related fees and (quarter-on-quarter) somewhat higher asset-management related fees.
- The quarter under review included very weak trading and fair value income, due to poor dealing room income and the aggregate negative impact of various market value adjustments. Moreover, both dividend income (seasonal effect) and net other income were down on their level for the previous quarter (which had benefited from the positive 82-million-euro one-off effect of the revaluation of the 55% participation in ČMSS).
- Costs were down 1%, both quarter-on-quarter and year-on-year. When non-operating items are excluded and bank taxes evenly spread throughout the year, the cost/income ratio amounted to 59% in the first nine months of 2019, compared to 57% for full-year 2018.
- The quarter under review included a 25-million-euro loan loss impairment charge, compared to a 36-million-euro charge in the previous quarter and a net release of impairments of 8 million euros in the year-earlier quarter. The cost of credit amounted to a benign 0.10% in the first nine months of 2019, compared to -0.04% for full-year 2018 (a negative figure indicates a positive impact on the results).
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.4%, or 15.9% when including the net result for the nine months of the year, taking into account the payout ratio of 59% (dividend + AT1 coupon) for full-year 2018. Our leverage ratio amounted to 6.0% at the end of September 2019.

The cornerstones of our strategy

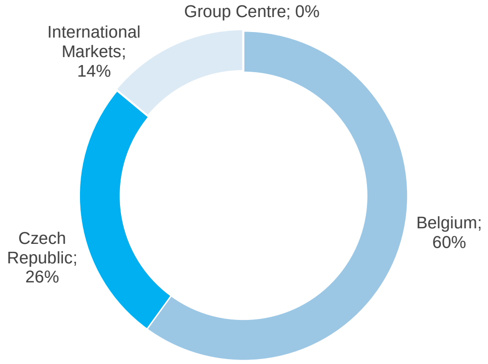
Our strategy rests on four principles:

- We place our 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.

Breakdown of the 3Q2019 result
(in millions of EUR)



Contribution of the business units to the 3Q2019 group result



Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q2019	2Q2019	1Q2019	4Q2018	3Q2018	9M2019	9M2018
Net interest income	1 174	1 132	1 129	1 166	1 136	3 436	3 378
Non-life insurance (before reinsurance)	192	174	161	198	197	527	562
Earned premiums	*440*	*425*	*415*	*409*	*403*	*1 280*	*1 173*
Technical charges	*-248*	*-251*	*-254*	*-211*	*-205*	*-753*	*-611*
Life insurance (before reinsurance)	-5	1	-3	-3	-9	-7	-15
Earned premiums	*291*	*317*	*351*	*416*	*293*	*959*	*944*
Technical charges	*-297*	*-316*	*-354*	*-418*	*-302*	*-966*	*-959*
Ceded reinsurance result	-9	1	-7	-12	-6	-14	-29
Dividend income	14	39	12	15	12	65	67
Net result from financial instruments at fair value through P&L[1]	-46	-2	99	2	79	51	229
Net realised result from debt instruments at fair value through other comprehensive income	5	0	2	0	0	7	9
Net fee and commission income	444	435	410	407	424	1 289	1 312
Net other income	43	133	59	76	56	234	150
Total income	1 813	1 913	1 862	1 848	1 888	5 588	5 663
Operating expenses	-975	-988	-1 296	-996	-981	-3 258	-3 239
Impairment	-26	-40	-69	-43	2	-134	60
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-25*	*-36*	*-67*	*-30*	*8*	*-128*	*92*
Share in results of associated companies & joint ventures	0	4	5	4	2	8	12
Result before tax	812	889	503	814	911	2 204	2 496
Income tax expense	-200	-144	-73	-192	-211	-417	-548
Result after tax	612	745	430	621	701	1 787	1 949
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**612**	**745**	**430**	**621**	**701**	**1 787**	**1 948**
Basic earnings per share (EUR)	1.44	1.76	0.98	1.44	1.63	4.19	4.54
Diluted earnings per share (EUR)	1.44	1.76	0.98	1.44	1.63	4.19	4.54

Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-09-2019	30-06-2019	31-03-2019	31-12-2018	30-09-2018
Total assets	294 830	289 548	292 332	283 808	304 740
Loans and advances to customers, excl. reverse repos	154 863	154 169	148 517	147 052	146 011
Securities (equity and debt instruments)	65 122	63 746	63 706	62 708	63 030
Deposits from customers & debt certificates, excl. repos	205 270	199 138	197 987	194 291	194 056
Technical provisions, before reinsurance	18 549	18 652	18 589	18 324	18 533
Liabilities under investment contracts, insurance	13 456	13 381	13 334	12 949	13 444
Parent shareholders' equity	18 086	17 799	17 924	17 233	16 878

Selected ratios KBC group (consolidated)	9M2019	FY2018
Return on equity	15%[3]	16%
Cost/income ratio, banking (when excluding certain non-operating items and evenly spreading the bank tax)	60% (59%)	57.5% (57%)
Combined ratio, non-life insurance	92%	88%
Common equity ratio, Basel III Danish Compromise (fully loaded)	15.4%[4]	16.0%
Common equity ratio, FICOD (fully loaded)	14.2%	14.9%
Leverage ratio, Basel III (fully loaded)	6.0%	6.1%
Credit cost ratio[5]	0.10%	-0.04%
Impaired loans ratio	3.5%	4.3%
for loans more than 90 days past due	2.0%	2.5%
Net stable funding ratio (NSFR)	135%	136%
Liquidity coverage ratio (LCR)	140%	139%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 When evenly spreading the bank tax throughout the year (14% without evenly spreading the bank tax).
4 When including the net result of the first nine months of the year, taking into account the full-year 2018 payout ratio of 59% (div. + AT1 coupon), the ratio is 15.9%.
5 A negative figure indicates a net impairment release (with a positive impact on the results).

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

Analysis of the quarter (3Q2019)

Total income

1 813 million euros

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

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

The total volume of customer lending rose slightly (0.5%) quarter-on-quarter and by as much as 6% year-on-year. On a comparable scope basis (eliminating the effects from changes in scope, including the sale of parts of the Irish loan book in the past and the full consolidation of ČMSS since June 2019), customer lending rose by 1% quarter-on-quarter and 4% year-on-year, with the latter growing in all business units. Customer deposits including debt certificates were up 3% quarter-on-quarter and 6% year-on-year. On a comparable scope basis, this item was up 3% quarter-on-quarter and 4% year-on-year. The net interest margin came to 1.94% for the quarter under review, in line with the previous quarter but down 4 basis points on the level recorded in the year-earlier quarter.

Technical income from our non-life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) contributed 184 million euros to total income. It was up 5% on the previous quarter due to a combination of higher earned premiums in all core countries, lower technical charges (lower storm-related impact and the fact that the previous quarter had been impacted by a re-assessment of claims provisions) and a lower ceded reinsurance result. Technical non-life insurance income was slightly down (-4%) on the figure recorded in the year-earlier quarter, with the increase in earned premium income being more than offset by higher technical charges and a lower ceded reinsurance result. Overall, the combined ratio for the first nine months of 2019 came to 92%, compared to 88% for full-year 2018.

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

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

All other remaining income items amounted to an aggregate 16 million euros, down significantly on the 170 million euros recorded in the previous quarter and the 147 million euros in the year-earlier quarter. This included a negative 46-million-euro net result from financial instruments at fair value (trading and fair value income), down on the already weak -2 million euros recorded in the previous quarter and down significantly on the 79 million euros recorded in the year-earlier quarter. The quarter's trading and fair value income was negatively impacted mainly by poor dealing room income and the aggregate negative impact of various market value adjustments. The other remaining income items also included seasonally lower dividend income of 14 million euros (down on the 39 million euros recorded in the second quarter of the year when the bulk of dividends is usually received), a 5-million-euro net realised result from debt instruments at fair value through other comprehensive income and 43 million euros in net other income. The figure for net other income came to 56 million euros in the year-earlier quarter and to 133 million euros in the previous quarter, which had benefited from a one-off 82-million-euro gain related to the revaluation of the existing stake in ČMSS that was triggered by the acquisition of the remaining participation in that company. It should be noted that the largest one-off item included in net other income in the quarter under review was an 18-million-euro charge related to the tracker mortgage review in Ireland (14 million euros of which relating to a provision for a potential sanction).

Operating expenses

975 million euros

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

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

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

Loan loss impairment

25-million-euro net increase

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

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

The impaired loans ratio has continued to improve since the start of the year. At the end of September 2019, some 3.5% of our total loan book was classified as impaired (4.3% at year-end 2018). Impaired loans that are more than 90 days past due fell to 2.0% of the loan book (2.5% at year-end 2018). The drop in impaired loans is partly related to the accounting write-off of certain fully provisioned legacy loans in Ireland in the past quarters.

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

Net result by business unit

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

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

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

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

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

Selected ratios by business unit	Belgium 9M2019	Belgium FY2018	Czech Republic 9M2019	Czech Republic FY2018	International Markets 9M2019	International Markets FY2018
Cost/income ratio, banking excluding certain non-operating items and spreading the bank tax evenly	58%	58%	47%	46%	68%	65%
Combined ratio, non-life insurance	91%	87%	94%	97%	88%	90%
Credit cost ratio*	0.16%	0.09%	0.05%	0.03%	0.02%	-0.46%
Impaired loans ratio	2.3%	2.6%	2.3%	2.4%	9.1%	12.2%

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

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

Equity, solvency and liquidity

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

At the end of September 2019, total equity stood at 19.6 billion euros, comprising 18.1 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was more or less unchanged on its level at the end of 2018, owing to the combined effect of a number of items, including profits for the nine-month period (+1.8 billion euros), the call of an additional tier-1 instrument and issuance of a new additional tier-1 instrument (-1.4 billion euros and +0.5 billion euros, respectively), payment of the final dividend for 2018 in May 2019 and the decision to pay an interim dividend for 2019 in November 2019 (-1.0 billion euros and -0.4 billion euros, respectively) and changes in various revaluation reserves (an aggregate +0.6 billion euros). We have provided details of the changes in the 'Consolidated financial statements' section of the quarterly report (under 'Consolidated statement of changes in equity').

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

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

Net result

1 787 million euros

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

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

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

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

Risk statement, economic views and guidance

Risk statement

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

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

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

Our view on interest rates and foreign exchange rates

A weaker economic outlook with elevated risks and below-target inflation levels have led to a shift in major central banks' forward guidance towards additional or renewed monetary stimuli. Following the rate cuts earlier this year, we expect the Fed to keep its policy rate constant this year and the next year. Since euro-area inflation will remain below the ECB's medium-term target and risk factors, such as trade conflicts, are negatively impacting the momentum of European growth, the ECB will most likely keep monetary policy very accommodative in the years to come.

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

The Czech National Bank (CNB) tightened its monetary policy with a somewhat sooner-than-expected rate hike earlier this year (+25 basis points to 2% on 2 May), reflecting an environment of buoyant Czech growth and inflation.

Our view on economic growth

In line with global economic developments, the European economy is currently slowing down. Decreasing unemployment rates and growing labour shortages in some European economies, combined with solid wage inflation, are likely to continue underpinning private consumption. Investment is also likely to remain supportive for growth. The main factors that could substantially impede European economic sentiment and growth remain the risk of further economic deglobalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro-area countries.

Guidance

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

Upcoming events	Interim dividend payment: 15 November 2019 4Q2019 results: 13 February 2020 Annual report: 3 April 2020 Annual General Meeting: 7 May 2020 1Q2020 results: 14 May 2020
More information on 3Q2019	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
Definitions of ratios	‘Details of ratios and terms at KBC Group level’ in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

3Q 2019 and 9M 2019

Section reviewed by the Auditor

Glossary

AC: amortised cost
AFS: Available For Sale (IAS 39)
ALM: Asset Liability Management
ECL: Expected Credit Loss
FA: Financial Assets
FV: Fair Value
FVA: Funding Value Adjustment
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
OCI: Other Comprehensive Income
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	9M 2019	9M 2018	3Q 2019	2Q 2019	3Q 2018
Net interest income	3.1	3 436	3 378	1 174	1 132	1 136
Interest income	*3.1*	*5 435*	*5 148*	*1 806*	*1 807*	*1 754*
Interest expense	*3.1*	*- 1 999*	*- 1 771*	*- 632*	*- 675*	*- 618*
Non-life insurance (before reinsurance)	3.7	527	562	192	174	197
Earned premiums	*3.7*	*1 280*	*1 173*	*440*	*425*	*403*
Technical charges	*3.7*	*- 753*	*- 611*	*- 248*	*- 251*	*- 205*
Life insurance (before reinsurance)	3.7	- 7	- 15	- 5	1	- 9
Earned premiums	*3.7*	*959*	*944*	*291*	*317*	*293*
Technical charges	*3.7*	*- 966*	*- 959*	*- 297*	*- 316*	*- 302*
Ceded reinsurance result	3.7	- 14	- 29	- 9	1	- 6
Dividend income		65	67	14	39	12
Net result from financial instruments at fair value through profit or loss	3.3	51	229	- 46	- 2	79
of which result on equity instruments (overlay approach)		*65*	*54*	*17*	*19*	*2*
Net realised result from debt instruments at fair value through OCI		7	9	5	0	0
Net fee and commission income	3.5	1 289	1 312	444	435	424
Fee and commission income	*3.5*	*1 833*	*1 853*	*629*	*616*	*606*
Fee and commission expense	*3.5*	*- 543*	*- 541*	*- 185*	*- 180*	*- 182*
Net other income	3.6	234	150	43	133	56
TOTAL INCOME		5 588	5 663	1 813	1 913	1 888
Operating expenses	3.8	- 3 258	- 3 239	- 975	- 988	- 981
Staff expenses	*3.8*	*- 1 755*	*- 1 763*	*- 585*	*- 603*	*- 593*
General administrative expenses	*3.8*	*- 1 244*	*- 1 269*	*- 299*	*- 298*	*- 318*
Depreciation and amortisation of fixed assets	*3.8*	*- 260*	*- 207*	*- 90*	*- 87*	*- 70*
Impairment	3.10	- 134	60	- 26	- 40	2
on financial assets at AC and at FVOCI	*3.10*	*- 128*	*92*	*- 25*	*- 36*	*8*
on goodwill	*3.10*	*0*	*0*	*0*	*0*	*0*
other	*3.10*	*- 6*	*- 32*	*- 1*	*- 4*	*- 6*
Share in results of associated companies and joint ventures		8	12	0	4	2
RESULT BEFORE TAX		2 204	2 496	812	889	911
Income tax expense	3.12	- 417	- 548	- 200	- 144	- 211
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		1 787	1 949	612	745	701
attributable to minority interests		0	0	0	0	0
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**1 787**	**1 948**	**612**	**745**	**701**
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Earnings per share (in EUR)						
Ordinary		4.19	4.54	1.44	1.76	1.63
Diluted		4.19	4.54	1.44	1.76	1.63

As of June 2019 the result of Czech building savings bank Českomoravská stavební spořitelna (ČMSS) is fully consolidated, while previously according to the equity method. 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 1st January 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 150 million euros in 9M 2019. It can be summarized as the difference between

- IFRS 9 result (without applying the overlay): 215 million euros of which 220 million euros realized and unrealized fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and -5 million euros income taxes;
- IAS 39 result: 65 million euros including net realized result amounting to 84 million euros and impairment loss of 18 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	9M 2019	9M 2018	3Q 2019	2Q 2019	3Q 2018
RESULT AFTER TAX	1 787	1 949	612	745	701
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	1 787	1 948	612	745	701
OCI TO BE RECYCLED TO PROFIT OR LOSS	559	- 266	93	222	- 25
Net change in revaluation reserve (FVOCI debt instruments)	658	- 242	239	226	- 104
Net change in revaluation reserve (FVPL equity instruments) - overlay	150	- 61	11	17	14
Net change in hedging reserve (cashflow hedges)	- 173	69	- 73	- 35	52
Net change in translation differences	- 86	- 78	- 81	2	58
Hedge of net investments in foreign operations	8	55	- 2	8	- 42
Net change in respect of associated companies and joint ventures	6	- 6	4	4	0
Other movements	- 3	- 3	- 5	0	- 3
OCI NOT TO BE RECYCLED TO PROFIT OR LOSS	3	25	7	- 37	37
Net change in revaluation reserve (FVOCI equity instruments)	16	9	5	4	4
Net change in defined benefit plans	- 12	15	1	- 43	34
Net change in own credit risk	- 1	1	1	0	- 1
Net change in respect of associated companies and joint ventures	0	0	0	1	0
TOTAL COMPREHENSIVE INCOME	2 349	1 708	712	930	713
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	2 349	1 707	711	930	713

The largest movements in other comprehensive income (9M 2019 vs. 9M 2018):

- The revaluation reserve (FV OCI debt instruments) increased in 9M 2019 by 658 million euros, positively impacted by lower interest rates. This also largely explains the negative net change in the hedging reserve (cash flow hedge) of -173 million euros. In 9M 2018, the revaluation reserve (FV OCI debt instruments) lowered by 242 million euros, negatively impacted by higher interest rates in general, an increase of the credit spread on Italian government bonds and the unwinding effect (the latter also partly explains the positive net change in the hedging reserve (cash flow hedge) +69 million euros).
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the +150 million euros in 9M 2019 can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments). In 9M 2018, the -61 million euros can be explained for the largest part by transfers to net result (gains on disposal) and to a lesser extent by negative fair value movements.
- Net change in translation differences in 9M 2019 (-86 million euros) is mainly caused by a weakening of the CZK and HUF versus the EUR. This is only partially compensated by the hedge of the net investment in foreign operations in 9M 2019 (+8 million euros) due to the new hedging policy of FX participations:
    - In the old policy, the aim was to stabilize parent shareholders' equity.
    - The new policy aims to stabilize the group capital ratio whereby the hedging amount needs to synchronize the sensitivity of available capital (numerator of CET1 ratio) and risk weighted assets (denominator of CET1 ratio) to FX shocks in relative terms.

  Net change in translation differences in 9M 2018 (-78 million euros) is also mainly caused by the weakening of the CZK and HUF versus the EUR. This was largely compensated by the hedge of net investment in foreign operations (+55 million euros), as the hedge in 2018 was still based on the old hedging policy. The net impact between these two items can mainly be explained by the asymmetrical deferred tax treatment (no tax on net change in translation differences, while deferred tax is calculated on the hedge).

Consolidated balance sheet

(in millions of EUR)	Note	30-09-2019	31-12-2018
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		7 758	18 691
Financial assets	4.0	277 544	256 916
Amortised cost	*4.0*	*233 090*	*216 792*
Fair value through OCI	*4.0*	*19 356*	*18 279*
Fair value through profit or loss	*4.0*	*24 915*	*21 663*
of which held for trading	*4.0*	*8 915*	*6 426*
Hedging derivatives	*4.0*	*184*	*183*
Reinsurers' share in technical provisions, insurance		131	120
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		930	64
Tax assets		1 506	1 549
Current tax assets		*106*	*92*
Deferred tax assets		*1 400*	*1 457*
Non-current assets held for sale and disposal groups		0	14
Investments in associated companies and joint ventures		62	215
Property, equipment and investment property		3 752	3 299
Goodwill and other intangible assets		1 567	1 330
Other assets		1 580	1 610
TOTAL ASSETS		294 830	283 808
LIABILITIES AND EQUITY			
Financial liabilities	4.0	252 719	242 626
Amortised cost	*4.0*	*228 250*	*220 671*
Fair value through profit or loss	*4.0*	*23 099*	*20 844*
of which held for trading	*4.0*	*7 134*	*5 834*
Hedging derivatives	*4.0*	*1 371*	*1 111*
Technical provisions, before reinsurance		18 549	18 324
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		7	- 79
Tax liabilities		487	380
Current tax liabilities		*56*	*133*
Deferred tax liabilies		*431*	*247*
Liabilities associated with disposal groups		0	0
Provisions for risks and charges		217	235
Other liabilities		3 265	2 689
TOTAL LIABILITIES		275 245	264 175
Total equity	5.10	19 585	19 633
Parent shareholders' equity	5.10	18 086	17 233
Additional tier-1 instruments included in equity	5.10	1 500	2 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		294 830	283 808

As of June 2019 the balance sheet contains figures of the Czech building savings bank Českomoravská stavební spořitelna (ČMSS), of which the remaining 45% stake was acquired in May 2019 resulting in full consolidation (before: equity method). For more information see note ‘Main changes in the scope of consolidation‘ (note 6.6) further in this report.

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (AFS assets)*	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cashflow hedges)*	*Translation differences*	*Hedge of net investments in foreign operations*	*Re-measurement of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	**Total equity**
30-09-2019																		
Balance at the end of the previous period	**1 457**	**5 482**	**- 3**	**10 901**	*-*	*586*	*159*	*22*	*- 1 263*	*- 73*	*86*	*- 119*	*- 3*	**- 605**	**17 233**	2 400	0	**19 633**
Net result for the period	**0**	**0**	**0**	**1 787**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**1 787**	0	0	**1 787**
Other comprehensive income for the period	**0**	**0**	**0**	**- 3**	*-*	*665*	*150*	*16*	*- 173*	*- 87*	*8*	*- 12*	*- 1*	**565**	**562**	0	0	**562**
Subtotal	**0**	**0**	**0**	**1 783**	*-*	*665*	*150*	*16*	*- 173*	*- 87*	*8*	*- 12*	*- 1*	**565**	**2 349**	0	0	**2 349**
Dividends	**0**	**0**	**0**	**- 1 457**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 1 457**	0	0	**- 1 457**
Coupon on AT1	**0**	**0**	**0**	**- 37**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 37**	0	0	**- 37**
Issue or Call of AT1 included in equity	**0**	**0**	**0**	**- 2**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 2**	- 900	0	**- 902**
Purchase/sale of treasury shares	**0**	**0**	**0**	**0**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Total change	**0**	**0**	**0**	**287**	*-*	*665*	*150*	*16*	*- 173*	*- 87*	*8*	*- 12*	*- 1*	**565**	**853**	- 900	0	**- 47**
Balance at the end of the period	**1 457**	**5 482**	**- 2**	**11 188**	*-*	*1 250*	*309*	*38*	*- 1 436*	*- 160*	*94*	*- 131*	*- 5*	***- 39***	***18 086***	1 500	*0*	***19 585***
of which relating to the equity method					*-*	*12*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	***13***	***13***			***13***
2018																		
Balance at the end of the previous period	**1 456**	**5 467**	**- 5**	**10 101**	*1 751*	*0*	*0*	*0*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**383**	**17 403**	1 400	0	**18 803**
Impact of the first-time adoption of IFRS 9	**0**	**0**	**0**	**- 247**	*- 1 751*	*837*	*387*	*29*	*0*	*0*	*0*	*0*	*0*	**- 499**	**- 746**	0	0	**- 746**
Balance at the beginning of the period after impact IFRS 9	**1 456**	**5 467**	**- 5**	**9 854**	*0*	*837*	*387*	*29*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**- 116**	**16 657**	1 400	0	**18 057**
Net result for the period	**0**	**0**	**0**	**2 570**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**2 570**	0	0	**2 570**
Other comprehensive income for the period	**0**	**0**	**0**	**- 2**	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	**- 489**	**- 491**	0	0	**- 491**
Subtotal	**0**	**0**	**0**	**2 568**	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	**- 489**	**2 079**	0	0	**2 079**
Dividends	**0**	**0**	**0**	**- 1 253**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 1 253**	0	0	**- 1 253**
Coupon on AT1	**0**	**0**	**0**	**- 70**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 70**	0	0	**- 70**
Capital increase	**1**	**15**	**0**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**16**	0	0	**16**
Transfer from revaluation reserves to retained earnings on realisation	**0**	**0**	**0**	**- 12**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 12**	0	0	**- 12**
Issue of AT1 included in equity	**0**	**0**	**0**	**- 5**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 5**	1 000	0	**995**
Purchase/sale of treasury shares	**0**	**0**	**- 179**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 179**	0	0	**- 179**
Liquidation of treasury shares	**0**	**0**	**181**	**- 181**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Total change	**1**	**15**	**2**	**1 047**	*0*	*- 251*	*- 228*	*- 6*	*76*	*- 61*	*41*	*- 67*	*7*	**- 489**	**576**	1 000	0	**1 576**
Balance at the end of the period	**1 457**	**5 482**	**- 3**	**10 901**	*0*	*586*	*159*	*22*	*- 1 263*	*- 73*	*86*	*- 119*	*- 3*	**- 605**	**17 233**	2 400	0	**19 633**
of which relating to the equity method					*0*	*5*	*0*	*1*	*0*	*14*	*0*	*0*	*0*	***20***	***20***			***20***

The line 'Dividends' in 9M 2019 includes:

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

The line 'Issue or Call of additional Tier-1 instruments included in equity' in 9M 2019 includes:

- on February 26, 2019 KBC Group NV placed 500 million euros Additional Tier-1 securities.
- on 19 March 2019, KBC called the Additional Tier-1 (AT1) instrument it issued in 2014, which had a nominal value of 1.4 billion euros. For more information see note 'Parent shareholders equity and AT1 instruments' (note 5.10) further in this report.

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (AFS assets)*	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cashflow hedges)*	*Translation differences*	*Hedge of net investments in foreign operations*	*Re-measurement of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-09-2018																		
Balance at the end of the previous period	**1 456**	**5 467**	**- 5**	**10 101**	***1 751***	*0*	*0*	*0*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**383**	**17 403**	1 400	0	**18 803**
Impact of the first-time adoption of IFRS 9	**0**	**0**	**0**	**- 247**	*- 1 751*	*837*	*387*	*29*	*0*	*0*	*0*	*0*	*0*	**- 499**	**- 746**	0	0	**- 746**
Balance at the beginning of the period after impact IFRS 9	**1 456**	**5 467**	**- 5**	**9 854**	*0*	*837*	*387*	*29*	*- 1 339*	*- 11*	*45*	*- 52*	*- 10*	**- 116**	**16 657**	1 400	0	**18 057**
Net result for the period	**0**	**0**	**0**	**1 948**	*-*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**1 948**	0	0	**1 949**
OCI for the period	**0**	**0**	**0**	**- 3**	*0*	*- 246*	*- 61*	*9*	*69*	*- 80*	*55*	*15*	*1*	**- 238**	**- 241**	0	0	**- 241**
Subtotal	**0**	**0**	**0**	**1 945**	*0*	*- 246*	*- 61*	*9*	*69*	*- 80*	*55*	*15*	*1*	**- 238**	**1 707**	0	0	**1 707**
Dividends	**0**	**0**	**0**	**- 1 253**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 1 253**	0	0	**- 1 253**
Coupon on AT1	**0**	**0**	**0**	**- 42**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 42**	0	0	**- 42**
Transfer from revaluation reserves to retained earnings on realisation	**0**	**0**	**0**	**- 8**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 8**	0	0	**- 8**
Issue of AT1 included in equity	**0**	**0**	**0**	**- 5**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 5**	1 000	0	**995**
Purchase/sale of treasury shares	**0**	**0**	**- 180**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**- 180**	0	0	**- 180**
Liquidation of treasury shares	**0**	**0**	**181**	**- 181**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Total change	**0**	**0**	**1**	**458**	*0*	*- 246*	*- 61*	*9*	*69*	*- 80*	*55*	*15*	*1*	**- 238**	**221**	1 000	0	**1 221**
Balance at the end of the period	**1 456**	**5 467**	**- 4**	**10 312**	*0*	*590*	*326*	*37*	*- 1 270*	*- 92*	*100*	*- 37*	*- 9*	**- 354**	**16 878**	2 400	0	**19 278**
of which relating to application of the equity method					*0*	*6*	*0*	*1*	*0*	*14*	*0*	*0*	*0*	***20***	***20***			***20***

The line 'Dividends' in 2018 includes:

- the closing dividend of 2 euros per share for 2017 (a total of 837 million euros has been deducted from retained earnings in 2Q 2018)
- an interim dividend of 1 euro per share (416 million euros in total) as an advance on the final dividend for 2018 (payment date 16 November 2018)

The line ‘Liquidation of treasury shares’ in 2018 includes:

- a total number of 2 700 000 of own shares were bought under the share buy-back program for a total amount of 181 million euros, which were subsequently cancelled.

Consolidated cash flow statement

(in millions of EUR)	9M 2019	9M 2018
Cash and cash equivalents at the beginning of the period	34 354	40 413
Net cash from (used in) operating activities	- 5 539	6 398
Net cash from (used in) investing activities	169	3 319
Net cash from (used in) financing activities	152	- 16
Effects of exchange rate changes on opening cash and cash equivalents	- 127	- 178
Cash and cash equivalents at the end of the period	29 009	49 936

The negative net cash from operating activities in 9M 2019 mainly includes the repayment of a part (4 billion euros) of the outstanding TLTRO II in combination with higher term loans and mortgage loans, partly compensated by higher certificates of deposit and the realized result.

The positive net cash from operating activities in 9M 2018 is mainly thanks to the realized result and lower outstanding debt securities at fair value through OCI (versus year-end 2017).

Net cash from (used in) investing activities of 9M 2019 includes +439 million euros related to the acquisition of the remaining 45% stake in the Czech building society Českomoravská stavební spořitelna (ČMSS) (the acquisition price of 240 million euros is more than compensated by available cash and cash equivalents on the balance sheet of ČMSS) being partly offset by additional investments in debt securities at amortised cost. The net cash from (used in) investing activities of 9M 2018 is related to maturing investments in debt securities at amortised cost.

The net cash flow from financing activities in 9M 2019 includes (for more information see 'Parent shareholders' equity and AT1 instruments' (note 5.10) further in this report):

- the call by KBC Group NV of Additional Tier-1 instruments that had been issued in 2014, with a nominal value of 1.4 billion euros,
- the issue of Additional Tier-1 instruments included in equity for 500 million euros,
- payment in May of the closing dividend for 2018 of 2.50 euros per share (a total of 1 040 million euros),
- the issue of Senior Holdco instruments for 1 500 million euros and
- the issue of Tier2 instruments for 750 million euros in August 2019, in view of a call of the existing 750 million euros Tier-2 securities, issued in 2014. This call is planned in November 2019.

The net cash flow from financing activities in 9M 2018 includes:

- the call by KBC Bank of the 1-billion-US-dollar contingent capital note (CoCo) that had been issued in January 2013 and 837 million euro dividend payment,
- the issue of covered bonds for 750 million euros,
- the issue of a green bond for 500 million euros ,
- the issue of Additional Tier-1 instruments included in equity for 1 billion euros and
- the net decrease of senior bonds issued by KBC Ifima (about 0.7 billion euros, mainly maturities).

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2018)

The condensed interim financial statements of the KBC Group for the period ended 30 September 2019 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 2018, 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 2019 and have been applied in this report:

- IFRS 16:
  - In January 2016, the IASB issued IFRS 16 (Leases), which became effective on 1 January 2019. The new standard does not significantly change the accounting treatment of leases for lessors and, therefore, its impact is limited for KBC (given that it is mainly a lessor and not a lessee). The impact of the first-time application of IFRS 16 on the common equity ratio was limited to -6 basis points.

The following IFRS standards were issued but not yet effective in 2019. KBC will apply these standards when they become mandatory.

- IFRS 17:
  - In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 will become effective for reporting periods beginning on or after 1 January 2022 (subject to EU endorsement), with comparative figures being required. An impact study is an inherent part of the IFRS 17 project that is currently underway at KBC.

- Other:
  - The IASB published several limited amendments to existing IFRSs and IFRICs. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

Summary of significant accounting policies (note 1.2 in the annual accounts 2018)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2018.

- IFRS 16:
  - All leases need to be classified as either finance lease or operating lease. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.

    This classification is crucial for lessor positions; for lessee positions, this classification is of lesser importance since both classifications result in a similar recognition and measurement of the lease in the balance sheet and profit or loss.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2018)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2018.

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	KBC Group
9M 2019									
Net interest income	1 882	939	644	*190*	*153*	*105*	*196*	- 29	**3 436**
Non-life insurance (before reinsurance)	334	85	102	*34*	*21*	*47*	*0*	6	**527**
Earned premiums	*829*	*208*	*235*	*109*	*35*	*92*	*0*	*8*	***1 280***
Technical charges	*- 496*	*- 123*	*- 133*	*- 75*	*- 14*	*- 44*	*0*	*- 2*	***- 753***
Life insurance (before reinsurance)	- 74	42	25	*6*	*8*	*11*	*0*	0	**- 7**
Earned premiums	*718*	*170*	*71*	*12*	*31*	*28*	*0*	*0*	***959***
Technical charges	*- 792*	*- 128*	*- 46*	*- 7*	*- 23*	*- 17*	*0*	*0*	***- 966***
Ceded reinsurance result	7	- 5	- 8	*- 2*	*- 1*	*- 5*	*0*	- 9	**- 14**
Dividend income	63	1	0	*0*	*0*	*0*	*0*	2	**65**
Net result from financial instruments at fair value through profit or loss	88	- 93	25	*24*	*- 7*	*11*	*- 3*	31	**51**
Net realised result from debt instruments at fair value through OCI	5	0	2	*1*	*1*	*0*	*0*	0	**7**
Net fee and commission income	875	195	222	*158*	*48*	*18*	*- 2*	- 3	**1 289**
Net other income	146	99	- 15	*1*	*5*	*0*	*- 22*	5	**234**
TOTAL INCOME	3 326	1 263	997	*412*	*229*	*189*	*168*	2	**5 588**
Operating expenses	- 1 935	- 570	- 685	*- 267*	*- 158*	*- 106*	*- 154*	- 69	**- 3 258**
Impairment	- 136	- 14	- 5	*2*	*- 16*	*- 9*	*18*	21	**- 134**
on financial assets at amortised cost and at fair value through OCI	*- 134*	*- 11*	*- 4*	*3*	*- 16*	*- 8*	*18*	*21*	***- 128***
on goodwill	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
other	*- 2*	*- 3*	*- 1*	*- 1*	*0*	*- 1*	*0*	*0*	***- 6***
Share in results of associated companies and joint ventures	- 4	9	4	*0*	*0*	*0*	*0*	0	**8**
RESULT BEFORE TAX	1 251	687	311	*147*	*54*	*73*	*33*	- 46	**2 204**
Income tax expense	- 319	- 103	- 51	*- 24*	*- 13*	*- 8*	*- 7*	56	**- 417**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	932	584	260	*124*	*41*	*66*	*27*	10	**1 787**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	932	584	260	*124*	*41*	*66*	*27*	10	**1 787**
9M 2018									
Net interest income	1 928	752	674	*180*	*158*	*114*	*222*	23	**3 378**
Non-life insurance (before reinsurance)	386	77	89	*31*	*18*	*39*	*0*	10	**562**
Earned premiums	*795*	*184*	*187*	*81*	*30*	*75*	*0*	*7*	***1 173***
Technical charges	*- 410*	*- 106*	*- 98*	*- 50*	*- 12*	*- 36*	*0*	*3*	***- 611***
Life insurance (before reinsurance)	- 81	44	22	*6*	*9*	*7*	*0*	0	**- 15**
Earned premiums	*689*	*181*	*74*	*12*	*40*	*22*	*0*	*0*	***944***
Technical charges	*- 770*	*- 138*	*- 52*	*- 6*	*- 31*	*- 15*	*0*	*1*	***- 959***
Ceded reinsurance result	- 15	- 5	- 9	*- 2*	*- 2*	*- 5*	*0*	0	**- 29**
Dividend income	61	0	0	*0*	*0*	*0*	*0*	5	**67**
Net result from financial instruments at fair value through profit or loss	141	68	66	*49*	*6*	*9*	*2*	- 46	**229**
Net realised result from debt instruments at fair value through OCI	0	0	0	*- 1*	*0*	*1*	*0*	9	**9**
Net fee and commission income	908	193	214	*147*	*44*	*23*	*0*	- 3	**1 312**
Net other income	152	10	18	*15*	*5*	*- 2*	*- 1*	- 29	**150**
TOTAL INCOME	3 481	1 139	1 075	*427*	*240*	*186*	*223*	- 32	**5 663**
Operating expenses	- 1 943	- 542	- 676	*- 262*	*- 152*	*- 108*	*- 153*	- 78	**- 3 239**
Impairment	- 44	- 32	111	*7*	*1*	*7*	*96*	24	**60**
on financial assets at amortised cost and at fair value through OCI	*- 43*	*- 8*	*119*	*8*	*0*	*14*	*96*	*24*	***92***
on goodwill	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
other	*- 1*	*- 24*	*- 8*	*- 1*	*0*	*- 7*	*- 1*	*0*	***- 32***
Share in results of associated companies and joint ventures	- 8	16	4	*0*	*0*	*1*	*0*	0	**12**
RESULT BEFORE TAX	1 486	581	514	*171*	*89*	*86*	*165*	- 85	**2 496**
Income tax expense	- 397	- 98	- 74	*- 25*	*- 20*	*- 9*	*- 21*	21	**- 548**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	1 089	484	440	*147*	*69*	*77*	*144*	- 64	**1 949**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	1 089	484	440	*147*	*69*	*77*	*144*	- 64	**1 948**

Other notes

Net interest income (note 3.1 in the annual accounts 2018)

(in millions of EUR)	9M 2019	9M 2018	3Q 2019	2Q 2019	3Q 2018
Total	3 436	3 378	1 174	1 132	1 136
Interest income	5 435	5 148	1 806	1 807	1 754
Interest income on financial instruments calculated using the effective interest rate method					
Financial assets at AC	4 147	3 908	1 404	1 383	1 341
Financial assets at FVOCI	249	291	84	78	93
Hedging derivatives	379	296	132	128	125
Other assets not at fair value	48	51	13	16	14
Interest income on other financial instruments					
Financial assets MFVPL other than held for trading	5	6	2	1	2
Financial assets held for trading	606	595	171	201	179
Of which economic hedges	*586*	*576*	*165*	*195*	*173*
Other financial assets at FVPL	0	0	0	0	0
Interest expense	-1 999	-1 771	- 632	- 675	- 618
Interest expense on financial instruments calculated using the effective interest rate method					
Financial liabilities at AC	- 965	- 817	- 294	- 332	- 298
Hedging derivatives	- 498	- 429	- 167	- 167	- 163
Other	- 64	- 97	- 14	- 25	- 37
Interest expense on other financial instruments					
Financial liabilities held for trading	- 436	- 404	- 145	- 139	- 112
Of which economic hedges	*- 408*	*- 383*	*- 134*	*- 130*	*- 106*
Other financial liabilities at FVPL	- 30	- 20	- 10	- 11	- 7
Net interest expense relating to defined benefit plans	- 6	- 4	- 2	- 2	- 1

Note: reclassification in 3Q 2018 and 9M 2018 of 37 million euros from interest income on financial assets at fair value through OCI to financial assets at amortised cost (related to the presentation of internal bond lending).

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2018)

The result from financial instruments at fair value through profit or loss in 3Q 2019 is 43 million euros lower compared to 2Q 2019. The quarter-on-quarter decrease is due to:

- Lower dealing room income in Czech Republic and Belgium
- More negative market value adjustments in 3Q 2019
- Slightly lower net result on equity instruments (insurance)

Only partly compensated by :

- A positive change in MTM ALM derivatives

Compared to 3Q 2018, the result from financial instruments at fair value through profit or loss is 124 million euros lower in 3Q 2019, for a large part explained by:

- Lower dealing room income in Czech Republic and Belgium
- Negative market value adjustments in 3Q 2019 compared to positive market value adjustments in 3Q 2018
- Slightly negative MTM ALM derivatives in 3Q 2019 compared to positive MTM ALM derivatives in 3Q 2018

Only partly compensated by:

- Higher net result on equity instruments (insurance)

The result from financial instruments at fair value through profit or loss in 9M 2019 is 178 million euros lower compared to 9M 2018, for a large part explained by:

- Lower dealing room income (lower in Czech Republic partly compensated by higher dealing room income in Belgium)
- More negative market value adjustments in 9M 2019
- Negative MTM ALM derivatives in 9M 2019 compared to slightly positive MTM ALM derivatives in 9M 2018

Only partly compensated by:

- Higher net results on equity instruments (insurance)

Net fee and commission income (note 3.5 in the annual accounts 2018)

(in millions of EUR)	9M 2019	9M 2018	3Q 2019	2Q 2019	3Q 2018
Total	1 289	1 312	444	435	424
Fee and commission income	1 833	1 853	629	616	606
Fee and commission expense	- 543	- 541	- 185	- 180	- 182
Breakdown by type					
Asset Management Services	809	855	275	270	275
Fee and commission income	850	897	288	285	289
Fee and commission expense	- 41	- 42	- 13	- 14	- 15
Banking Services	686	658	237	230	219
Fee and commission income	935	910	326	315	304
Fee and commission expense	- 249	- 252	- 89	- 85	- 85
Distribution	- 207	- 200	- 68	- 65	- 70
Fee and commission income	47	47	15	16	13
Fee and commission expense	- 254	- 247	- 83	- 82	- 83

Net other income (note 3.6 in the annual accounts 2018)

(in millions of EUR)	9M 2019	9M 2018	3Q 2019	2Q 2019	3Q 2018
Total	234	150	43	133	56
of which gains or losses on					
Sale of financial assets measured at amortised cost	11	17	7	0	5
Repurchase of financial liabilities measured at amortised cost	9	0	9	0	0
of which other, including:	215	133	27	133	51
Income from (mainly operational) leasing activities, KBC Lease Group	56	54	16	20	20
Income from VAB Group	33	44	11	11	14
One-off effect revaluation of 55% share in CMSS	82	0	0	82	0
Settlement of legacy legal cases	9	- 15	3	0	5
Provisioning for tracker mortgage review	- 22	0	- 18	- 4	0

Notes :

- 82 million euros one-off gain in Czech Republic as a result of the revaluation of KBC's 55% stake in ČMSS related to the acquisition in 2Q 2019 of the remaining 45% stake (for more info see Note 6.6 further in this report)
- Settlement of legacy legal cases concerns Czech Republic (+6 million euros in 1Q 2019), Belgium (+18 million euros in 1Q 2018) and Group Centre (+3 million euros in 3Q 2019, -38 million euros in 2Q 2018 and +5 million euros in 3Q 2018).
- Provision for tracker mortgage review in KBC Bank Ireland of -18 million euros in 3Q 2019 includes the recognition of a provision for a potential sanction of -14 million euros.

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2018)

(in millions of EUR)	Life	Non-life	Non-technical account	TOTAL
9M 2019				
Earned premiums, insurance (before reinsurance)	959	1 295	0	2 254
Technical charges, insurance (before reinsurance)	- 966	- 754	0	- 1 720
Net fee and commission income	- 21	- 247	0	- 268
Ceded reinsurance result	- 2	- 12	0	- 14
General administrative expenses	- 115	- 189	- 2	- 307
Internal claims settlement expenses	- 7	- 45	0	- 52
Indirect acquisition costs	- 24	- 54	0	- 78
Administrative expenses	- 85	- 90	0	- 175
Investment management fees	0	0	- 2	- 2
Technical result	- 144	92	- 2	- 55
Investment Income (*)	374	68	18	460
Technical-financial result	230	160	16	405
Share in results of associated companies and joint ventures	–	–	3	3
RESULT BEFORE TAX	230	160	19	409
Income tax expense	–	–	–	- 89
RESULT AFTER TAX	–	–	–	320
attributable to minority interest	–	–	–	0
attributable to equity holders of the parent	–	–	–	320
9M 2018				
Earned premiums, insurance (before reinsurance)	945	1 187	0	2 132
Technical charges, insurance (before reinsurance)	- 959	- 612	0	- 1 571
Net fee and commission income	- 18	- 231	0	- 249
Ceded reinsurance result	- 1	- 28	0	- 29
General administrative expenses	- 116	- 190	- 2	- 308
Internal claims settlement expenses	- 7	- 44	0	- 51
Indirect acquisition costs	- 25	- 56	0	- 81
Administrative expenses	- 84	- 90	0	- 174
Investment management fees	0	0	- 2	- 2
Technical result	- 148	127	- 2	- 24
Investment Income	397	63	39	498
Technical-financial result	249	189	37	475
Share in results of associated companies and joint ventures	-	-	3	3
RESULT BEFORE TAX	249	189	40	478
Income tax expense	-	-	-	- 111
RESULT AFTER TAX	-	-	-	366
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	366

(*) 9M 2019 consists of (in millions of EUR): Net interest income (347), Net Dividend income (40), Net result from financial instruments at fair value through profit and loss (75), Net realized result from debt instruments at fair value through OCI (1), Net other income (-2) and Impairment (-1). The non-technical account includes also results of non-insurance companies such as VAB group and ADD.

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2018 annual accounts).

In 9M 2019 the technical result non-life was negatively impacted by:

- Storms in Belgium and Czech Republic (before tax and before reinsurance) for an amount of about -41 million euros in 1Q 2019 and -19 million euros in 2Q 2019. The net impact in 1H 2019 after reinsurance amounts to -50 million euros. No material storm impacts in 3Q 2019.
- Large fire claims in Belgium in 9M 2019 of -37 million euros (before tax, before reinsurance).
- Reassessment of claims provisions in 2Q 2019 of -16 million euros (before tax).

Operating expenses – income statement (note 3.8 in the annual accounts 2018)

The operating expenses for 3Q 2019 include 28 million euros related to bank (and insurance) levies (30 million euros in 2Q 2019; 26 million euros in 3Q 2018, 440 million euros in 9M 2019 and 421 million euros in 9M 2018). 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 2018)

(in millions of EUR)	9M 2019	9M 2018	3Q 2019	2Q 2019	3Q 2018
Total	**- 134**	**60**	**- 26**	**- 40**	**2**
Impairment on financial assets at AC and at FVOCI	**- 128**	**92**	**- 25**	**- 36**	**8**
Of which impairment on financial assets at AC	**- 129**	**90**	**- 26**	**- 35**	**8**
By product					
Loans and advances	- 114	82	- 19	- 33	14
Debt securities	0	1	0	0	1
Off-balance-sheet commitments and financial guarantees	- 14	6	- 7	- 3	- 7
By type					
Stage 1 (12-month ECL)	- 25	- 19	- 8	- 15	- 9
Stage 2 (lifetime ECL)	11	33	14	- 11	- 15
Stage 3 (non-performing; lifetime ECL)	- 120	87	- 32	- 18	43
Purchased or originated credit impaired assets	5	- 11	0	9	- 12
Of which impairment on financial assets at FVOCI	**1**	**3**	**1**	**0**	**1**
Debt securities	1	3	1	0	1
Stage 1 (12-month ECL)	0	2	1	0	0
Stage 2 (lifetime ECL)	1	0	1	0	0
Stage 3 (non-performing; lifetime ECL)	0	0	0	0	0
Impairment on goodwill	**0**	**0**	**0**	**0**	**0**
Impairment on other	**- 6**	**- 32**	**- 1**	**- 4**	**- 6**
Intangible fixed assets (other than goodwill)	- 3	0	0	- 3	0
Property, plant and equipment (including investment property)	- 1	- 32	0	- 1	- 6
Associated companies and joint ventures	0	0	0	0	0
Other	- 2	0	- 1	0	- 1

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

Income tax expense – income statement (note 3.12 in the annual accounts 2018)

One-off gain in income tax in 2Q 2019: a positive impact of 34m in income tax is linked to the new hedging policy of FX participations.

As a result of this new hedging policy, a substantial part of the existing hedges have been terminated. While the FX result on the termination of these hedges remains in OCI, the income tax impact is included in the income statement.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2018)

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through OCI (FVOCI)	Mandatorily measured at FVPL (other than held for trading) (MFVPL excl. HFT)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	*Total excl. CMSS*
FINANCIAL ASSETS, 30-09-2019								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 811	0	0	0	0	0	**5 811**	*5 811*
Loans and advances to customers (excl. reverse repos)	154 696	0	167	0	0	0	**154 863**	*150 321*
Trade receivables	1 906	0	0	0	0	0	**1 906**	*1 906*
Consumer credit	5 400	0	82	0	0	0	**5 482**	*4 519*
Mortgage loans	66 381	0	74	0	0	0	**66 456**	*62 898*
Term loans	68 869	0	11	0	0	0	**68 880**	*68 859*
Finance lease	5 829	0	0	0	0	0	**5 829**	*5 829*
Current account advances	5 491	0	0	0	0	0	**5 491**	*5 491*
Other	819	0	0	0	0	0	**819**	*818*
Reverse repos	29 959	0	0	113	0	0	**30 072**	*29 502*
with credit institutions and investment firms	28 496	0	0	113	0	0	**28 608**	*28 039*
with customers	1 464	0	0	0	0	0	**1 464**	*1 464*
Equity instruments	0	260	1 373	754	0	0	**2 387**	*2 387*
Investment contracts (insurance)	0	0	14 394	0	0	0	**14 394**	*14 394*
Debt securities issued by	42 078	19 096	66	1 495	0	0	**62 735**	*62 474*
Public bodies	36 408	12 415	0	1 377	0	0	**50 200**	*49 939*
Credit institutions and investment firms	3 475	2 839	0	23	0	0	**6 338**	*6 338*
Corporates	2 194	3 842	66	95	0	0	**6 197**	*6 197*
Derivatives	0	0	0	6 551	0	184	**6 734**	*6 734*
Other	546	0	0	1	0	0	**547**	*547*
Total	233 090	19 356	16 000	8 915	0	184	**277 544**	*272 171*
FINANCIAL ASSETS, 31-12-2018								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 069	0	0	0	0	0	**5 070**	
Loans and advances to customers (excl. reverse repos)	146 954	0	85	0	13	0	**147 052**	
Trade receivables	4 197	0	0	0	0	0	**4 197**	
Consumer credit	4 520	0	0	0	0	0	**4 520**	
Mortgage loans	60 766	0	71	0	0	0	**60 837**	
Term loans	65 717	0	14	0	13	0	**65 744**	
Finance lease	5 618	0	0	0	0	0	**5 618**	
Current account advances	5 527	0	0	0	0	0	**5 527**	
Other	609	0	0	0	0	0	**609**	
Reverse repos	21 133	0	0	0	0	0	**21 134**	
with credit institutions and investment firms	20 976	0	0	0	0	0	**20 977**	
with customers	157	0	0	0	0	0	**157**	
Equity instruments	0	258	1 249	763	0	0	**2 271**	
Investment contracts (insurance)	0	0	13 837	0	0	0	**13 837**	
Debt securities issued by	41 649	18 020	54	714	0	0	**60 437**	
Public bodies	35 710	12 025	0	557	0	0	**48 292**	
Credit institutions and investment firms	3 032	2 579	0	76	0	0	**5 687**	
Corporates	2 907	3 417	54	81	0	0	**6 458**	
Derivatives	0	0	0	4 942	0	183	**5 124**	
Other	1 986	0	0	6	0	0	**1 992**	
Total	216 792	18 279	15 224	6 426	13	183	**256 916**	

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total	*Total excl. CMSS*
FINANCIAL LIABILITIES, 30-09-2019						
Deposits from credit institutions and investment firms (excl. repos)	20 169	0	0	-	**20 169**	*20 169*
Deposits from customers and debt securities (excl. repos)	202 471	290	2 509	-	**205 270**	*199 969*
Demand deposits	84 297	0	0	-	**84 297**	*84 297*
Time deposits	15 745	110	235	-	**16 091**	*16 091*
Savings accounts	68 052	0	0	-	**68 052**	*62 752*
Special deposits	2 516	0	0	-	**2 516**	*2 516*
Other deposits	644	0	0	-	**644**	*643*
Certificates of deposit	13 017	0	7	-	**13 025**	*13 025*
Savings certificates	1 151	0	0	-	**1 151**	*1 151*
Non-convertible bonds	13 938	180	2 061	-	**16 179**	*16 179*
Non-convertible subordinated liabilities	3 111	0	205	-	**3 316**	*3 316*
Repos	2 976	32	0	-	**3 007**	*3 007*
with credit institutions and investment firms	2 031	12	0	-	**2 043**	*2 043*
with customers	945	20	0	-	**964**	*964*
Liabilities under investment contracts	0	-	13 456	-	**13 456**	*13 456*
Derivatives	-	5 684	0	1 371	**7 055**	*7 055*
Short positions	-	1 128	0	-	**1 128**	*1 128*
In equity instruments	-	23	0	-	**23**	*23*
In debt securities	-	1 105	0	-	**1 105**	*1 105*
Other	2 634	0	0	-	**2 634**	*2 604*
Total	228 250	7 134	15 965	1 371	**252 719**	*247 388*

FINANCIAL LIABILITIES, 31-12-2018					
Deposits from credit institutions and investment firms (excl. repos)	23 684	0	0	-	**23 684**
Deposits from customers and debt securities (excl. repos)	192 004	226	2 061	-	**194 291**
Demand deposits	79 893	0	0	-	**79 893**
Time deposits	16 499	49	296	-	**16 844**
Savings accounts	60 067	0	0	-	**60 067**
Special deposits	2 629	0	0	-	**2 629**
Other deposits	211	0	0	-	**211**
Certificates of deposit	15 575	0	8	-	**15 583**
Savings certificates	1 700	0	0	-	**1 700**
Non-convertible bonds	13 029	176	1 572	-	**14 777**
Non-convertible subordinated liabilities	2 402	0	186	-	**2 588**
Repos	1 001	0	0	-	**1 001**
with credit institutions and investment firms	932	0	0	-	**932**
with customers	69	0	0	-	**69**
Liabilities under investment contracts	0	-	12 949	-	**12 949**
Derivatives	-	4 673	0	1 111	**5 784**
Short positions	-	935	0	-	**935**
In equity instruments	-	16	0	-	**16**
In debt securities	-	919	0	-	**919**
Other	3 982	0	0	-	**3 983**
Total	220 671	5 834	15 010	1 111	**242 626**

On June 24, KBC Bank Ireland closed the transaction announced on April 12 to sell its legacy performing corporate loan portfolio of roughly 260 million euros to Bank of Ireland.

We have dealt with the impact of the acquisition of the remaining shares of ČMSS in the pro forma 'Total excluding ČMSS' column, which helps provide a clear view of changes in financial assets and liabilities (excluding the acquisition of this company). For more information, please refer to Note 6.6.

In the course of 2Q 2019, the accounting treatment of recourse factoring was reassessed in accordance with IFRS and a change has been made as of 30 June 2019 implying a reduction of 834 million euros in trade receivables and time deposits and a reclassification of funded recourse contracts from trade receivables to term loans amounting to 1 683 million euros.

Impaired financial assets (note 4.2.1 in the annual accounts 2018)

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
		30-09-2019			31-12-2018	
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances	193 382	- 2 916	190 466	176 680	- 3 523	173 157
Stage 1 (12-month ECL)	170 123	- 134	169 988	153 081	- 113	152 969
Stage 2 (lifetime ECL)	17 571	- 292	17 279	16 983	- 305	16 678
Stage 3 (lifetime ECL) (*)	5 526	- 2 460	3 066	6 461	- 3 062	3 399
Purchased or originated credit impaired assets (POCI)	163	- 31	132	154	- 42	112
Debt Securities	42 090	- 12	42 078	41 660	- 11	41 649
Stage 1 (12-month ECL)	42 012	- 4	42 008	41 409	- 5	41 405
Stage 2 (lifetime ECL)	71	- 2	69	244	- 1	243
Stage 3 (lifetime ECL)	7	- 6	1	7	- 6	2
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	19 101	- 5	19 096	18 026	- 6	18 020
Stage 1 (12-month ECL)	19 044	- 4	19 040	17 585	- 4	17 581
Stage 2 (lifetime ECL)	57	0	56	441	- 2	439
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

(*) A large part of the drop of impaired financial assets is related to the accounting write-off of certain fully provisioned legacy loans (0.8 billion euros in 9M 2019) mainly in Ireland.

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2018)

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 2018.

(in millions of EUR)				30-09-2019				31-12-2018
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	15 263	467	271	16 000	14 645	423	156	15 224
Held for trading	1 837	5 787	1 290	8 915	1 018	4 412	996	6 426
Designated upon initial recognition at fair value through profit or loss (FVO)	0	0	0	0	0	13	0	13
At fair value through OCI	15 302	3 562	492	19 356	13 773	4 066	441	18 280
Hedging derivatives	0	184	0	184	0	183	0	183
Total	32 402	9 999	2 053	44 454	29 436	9 096	1 593	40 125
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 129	3 820	2 186	7 134	831	3 457	1 545	5 834
Designated at fair value	13 419	809	1 736	15 965	12 931	856	1 223	15 010
Hedging derivatives	0	1 371	0	1 371	0	1 111	0	1 111
Total	14 547	6 000	3 922	24 470	13 763	5 424	2 768	21 955

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2018)

During the first 9 months of 2019, KBC transferred about 23 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 1 107 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to an optimization in the level classification methodology.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2018)

During the first 9 months of 2019 significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets mandatorily measured at fair value through profit and loss (other than held for trading): the fair value of loans and advances increased by 82 million euros, due primarily to new transactions, partly offset by instruments that had reached maturity. The fair value of equity instruments increased by 31 million euros, mainly as a consequence of new positions and by transfers into

  level 3
- Financial assets held for trading: the fair value of derivatives increased by 371 million euros, due primarily to changes in fair value and new transactions, partly offset by instruments that had reached maturity. The fair value of debt securities decreased by 77 million euros, mainly due to the sale of securities.
- Financial assets measured at fair value through OCI: the fair value of debt securities increased by 52 million euros, mainly due to new positions and transfers into level 3, in part offset by instruments that reached maturity and sales of existing positions.
- Financial liabilities held for trading: the fair value of derivatives increased by 636 million euros, due primarily to changes in fair value and new positions, partly offset by instruments that had reached maturity.
- Financial liabilities measured at fair value through profit and loss: the fair value of issued debt instruments increased by 514 million euros, due primarily to new issues and supported further by changes in fair value.

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2018)

Quantities	30-09-2019	31-12-2018
Ordinary shares	**416 155 676**	**416 155 676**
of which ordinary shares that entitle the holder to a dividend payment	*416 155 676*	*416 155 676*
of which treasury shares	*42 285*	*50 284*
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.

On 17 April 2018, KBC Group NV placed 1 billion euros in Additional Tier-1 (AT1) instruments and on 26 February 2019 KBC Group NV placed 500 million euros Additional Tier-1 securities. Both transactions had no impact on the number of ordinary shares. Both AT1 Securities have been issued in view of a call of the existing 1.4 billion euros AT1 Securities issued in 2014. This call was done on 19 March 2019.

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2018)

In 9M 2019 :

On 31 May 2019, ČSOB has acquired the remaining 45% stake in ČMSS from Bausparkasse Schwäbisch Hall (BSH) for a total consideration of 240 million euros. As a result, ČMSS is now fully consolidated (previously equity method).

The consolidated figures in this report incorporate the impact of the acquisition of the 45% stake in ČMSS:

- As of June 2019, the results of ČMSS are fully consolidated into each line of the income statement (before that – hence also in April and May 2019 - the results of ČMSS were booked at 55% in the line 'Share in results of associated companies & joint-ventures').
- The one-off gain of 82 million euros related to the revaluation of the existing 55% stake was booked in the 'Net other income' line.

- On the balance sheet, ČMSS is also fully consolidated as of June 2019 (before that: according to the equity method in the balance sheet caption 'Investments in associated companies and joint ventures').
- We have dealt with the impact of the acquisition on financial assets and liabilities by product in Note 4.1. This note includes an additional pro forma 'Total excluding ČMSS' column, which helps provide a clear view of changes in financial assets and liabilities (excluding the acquisition of this company).
- KBC recognised goodwill of 164 million euros in its consolidated financial statements
- The transaction has an impact of -0.3 percentage points on KBC Group's Common Equity Tier 1 ratio.
- The table below provides the fair value of the main assets and liabilities involved in the acquisition of ČMSS, as well as the contribution of ČMSS to the group's income statement for 9M 2019.

in millions of EUR	30/09/2019
Purchase or sale	Purchase
Percentage of shares bought (+) or sold (-) in the relevant year	ČMSS 45%
Total share percentage at the end of the relevant year	100%
For business unit/segment	Czech Republic
Deal date (month and year)	May 2019
Incorporation of the result of the company in the result of the group as of:	01-06-2019
Purchase price	240
Cashflow for acquiring or selling companies less cash and cash equivalents acquired	439
Recognised amounts of identifiable assets acquired and liabilities assumed - provisional fair value at 31 May 2019	
Cash and cash balances with central banks	729
Financial assets	4 959
Held for trading	4 855
Fair value through OCI	103
Hedging derivatives	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	15
Tax assets	4
Property and equipment	20
Goodwill and other intangible assets	42
Other assets	7
of which: cash and cash equivalents (included in the assets above)	*729*
Financial liabilities	5 384
Measured at amortised cost	5 362
Hedging derivatives	22
Tax liabilities	10
Provisions for risks and charges	1
Other liabilities	33
of which: cash and cash equivalents (included in the liabilities above)	*50*

(in millions of EUR)	9M 2019	3Q 2019	2Q 2019
Net interest income	28	21	7
Interest income	*55*	*41*	*14*
Interest expense	*- 27*	*- 20*	*- 7*
Dividend income	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	0
Net realised result from debt instruments at fair value through OCI	0	0	0
Net fee and commission income	8	6	2
Fee and commission income	*11*	*8*	*3*
Fee and commission expense	*- 3*	*- 2*	*- 1*
Net other income	82	0	82
TOTAL INCOME	119	27	91
Operating expenses	- 16	- 11	- 5
Staff expenses	*- 7*	*- 5*	*- 2*
General administrative expenses	*- 5*	*- 3*	*- 1*
Depreciation and amortisation of fixed assets	*- 4*	*- 3*	*- 1*
Impairment	- 4	- 2	- 1
on financial assets at AC and at FVOCI	*- 4*	*- 2*	*- 1*
Share in results of associated companies and joint ventures	9	0	4
RESULT BEFORE TAX	108	14	90
Income tax expense	- 3	- 3	- 1
RESULT AFTER TAX	104	11	89
attributable to equity holders of the parent	104	11	89

In 2018 (both in 1Q 2018) :

- Legal merger between UBB and CIBANK (no consolidated impact).
- Acquisition of MetLife's 40% stake in UBB-MetLife Life Insurance Company AD, a life insurance joint venture between United Bulgarian Bank ("UBB") and MetLife ("UBB-MetLife"). Its financial impact is immaterial for KBC. Change of consolidation method from equity method to full consolidation.

Post-balance sheet events (note 6.8 in the annual accounts 2018)

Significant non-adjusting events between the balance sheet date (30 September 2019) and the publication of this report (14 November 2019): none.

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REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019 AND FOR THE NINE-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 September 2019 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the nine-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 294.830 million and a consolidated profit (share of the Group) for the nine-month period then ended of EUR 1.787 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, 13 November 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group

Additional Information
3Q 2019 and 9M 2019

Section not reviewed by the Auditor

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit and standby credit granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Information specifically on sovereign bonds can be found under 'How do we manage our risks (in the annual accounts 2018)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	30-09-2019	31-12-2018
Portfolio outstanding + undrawn [1]	218	205
Portfolio outstanding [1]	177	165
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	66%
Czech Republic	18%	16%
International Markets	15%	16%
Group Centre	2%	2%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	40.7%	39.9%
Finance and insurance	8.7%	7.4%
Authorities	3.2%	3.5%
Corporates	47.4%	49.2%
services	10.7%	11.2%
distribution	7.2%	7.5%
real estate	6.3%	6.6%
building & construction	3.9%	4.1%
agriculture, farming, fishing	2.6%	2.7%
automotive	2.6%	2.5%
food producers	1.7%	1.7%
electricity	1.6%	1.6%
metals	1.4%	1.6%
chemicals	1.2%	1.3%
machinery & heavy equipment	1.0%	1.1%
shipping	0.9%	0.9%
hotels, bars & restaurants	0.7%	0.7%
traders	0.7%	0.9%
oil, gas & other fuels	0.6%	0.6%
electrotechnics	0.6%	0.6%
textile & apparel	0.5%	0.6%
other [2]	3.1%	3.0%
Total outstanding loan portfolio geographical breakdown		
Home countries	84.9%	86.6%
Belgium	52.2%	55.0%
Czech Republic	17.1%	15.0%
Ireland	5.8%	6.5%
Slovakia	4.8%	5.0%
Hungary	3.0%	3.2%
Bulgaria	2.0%	2.0%
Rest of Western Europe	9.4%	7.9%
France	3.2%	2.0%
Netherlands	1.7%	1.7%
Great Britain	1.1%	1.1%
Spain	0.4%	0.5%
Luxemburg	1.1%	0.7%
Germany	0.7%	0.7%
other	1.3%	1.3%
Rest of Central Europe	0.4%	0.5%
Russia	0.1%	0.1%
other	0.3%	0.4%
North America	1.5%	1.4%
USA	1.1%	1.1%
Canada	0.4%	0.3%
Asia	1.6%	1.6%
China	1.0%	0.9%
Hong Kong	0.2%	0.2%
Singapore	0.1%	0.2%
other	0.3%	0.3%
Rest of the world	2.3%	1.9%

	30-09-2019	31-12-2018
Loan portfolio by IFRS-9 ECL stage (part of portfolio, as % of the portfolio of credit outstanding)		
Stage 1 (credit risk has not increased significantly since initial recognition)	85%	84%
of which: PD 1 - 4	63%	63%
of which: PD 5 - 9 including unrated	23%	21%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	11%	12%
of which: PD 1 - 4	3%	4%
of which: PD 5 - 9 including unrated	8%	8%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	4%	4%
of which: PD 10 impaired loans	2%	2%
of which: more than 90 days past due (PD 11+12)	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	6 197	7 151
of which: more than 90 days past due	3 547	4 099
Ratio of impaired loans, per business unit		
Belgium	2.3%	2.6%
Czech Republic	2.3%	2.4%
International Markets	9.1%	12.2%
Group Centre	12.5%	12.0%
Total	3.5%	4.3%
of which: more than 90 days past due	2.0%	2.5%
Stage 3 loan loss impairments (in millions of EUR) and Cover ratio (%)		
Stage 3 loan loss impairments	2 601	3 203
of which: more than 90 days past due	2 141	2 695
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	42%	45%
of which: more than 90 days past due	60%	66%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	51%	49%
of which: more than 90 days past due	72%	74%
Credit cost, by business unit (%)		
Belgium	0.16%	0.09%
Czech Republic	0.05%	0.03%
International Markets	0.02%	-0.46%
Slovakia	0.27%	0.06%
Hungary	-0.07%	-0.18%
Bulgaria	0.32%	-0.31%
Ireland	-0.24%	-0.96%
Group Centre	-0.76%	-0.83%
Total	0.10%	-0.04%

[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 2018 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA.

Since 1Q18 a switch has been made in the reported 'outstanding' figures from drawn principal to the new IFRS 9 definition of gross carrying amount (GCA), i.e. including reserved and accrued interests. The additional inclusion of reserved interests led, among others, to an increase in the reported amount of impaired loans. Furthermore, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

As of June 2019, ČMSS is fully consolidated on the balance sheet, while previously according to the equity method. In view of this, the loan portfolio of ČMSS is also included in 30-09-2019 loan portfolio overview and amounts to 5 billion euros. The total loan portfolio of business unit Czech Republic excluding ČMSS is 27 billion euros.

Loan portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium
30-09-2019, in millions of EUR

	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**106 528**			**8 043**			**114 570**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	39 358	36,9%		8 043	100,0%		47 400	41,4%	
retail	67 170	63,1%		0	0,0%		67 170	58,6%	
o/w private	36 421	34,2%		0	0,0%		36 421	31,8%	
o/w companies	30 749	28,9%		0	0,0%		30 749	26,8%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	34 677	32,6%	56%	0	0,0%	-	34 677	30,3%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	634	0,6%	-	0	0,0%	-	634	0,6%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	81 648	76,6%		4 666	58,0%		86 314	75,3%	
medium risk (PD 5-7; 0.80%-6.40%)	18 898	17,7%		2 990	37,2%		21 888	19,1%	
high risk (PD 8-9; 6.40%-100.00%)	3 273	3,1%		177	2,2%		3 449	3,0%	
impaired loans (PD 10 - 12)	2 377	2,2%		202	2,5%		2 579	2,3%	
unrated	332	0,3%		8	0,1%		340	0,3%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 377	957	40,3%	202	134	66,4%	2 579	1 091	42,3%
o/w PD 10 impaired loans	1 197	218	18,2%	97	49	50,0%	1 295	267	20,6%
o/w more than 90 days past due (PD 11+12)	1 180	739	62,7%	104	85	81,8%	1 284	824	64,2%
all impairments (stage 1+2+3)	1 136			151			1 287		
o/w stage 1+2 impairments (incl. POCI)	179			17			196		
o/w stage 3 impairments (incl. POCI)	957			134			1 091		
2018 Credit cost ratio (CCR)	0,10%			-0,05%			0,09%		
YTD 2019 CCR	0,14%			0,44%			0,16%		

Remarks

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

Loan portfolio Business Unit Czech Republic
30-09-2019, in millions of EUR

Total portfolio outstanding	**31 583**		
Counterparty break down		% outst.	
SME / corporate	8 672	27,5%	
retail	22 911	72,5%	
o/w private	18 004	57,0%	
o/w companies	4 907	15,5%	
Mortgage loans		% outst.	ind. LTV
total	15 719	49,8%	61%
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	279	0,9%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	18 005	57,0%	
medium risk (PD 5-7; 0.80%-6.40%)	11 556	36,6%	
high risk (PD 8-9; 6.40%-100.00%)	1 236	3,9%	
impaired loans (PD 10 - 12)	737	2,3%	
unrated	48	0,2%	
Overall risk indicators [1]		stage 3 imp.	% cover
outstanding impaired loans	737	355	48,1%
o/w PD 10 impaired loans	293	63	21,6%
o/w more than 90 days past due (PD 11+12)	444	291	65,5%
all impairments (stage 1+2+3)	470		
o/w stage 1+2 impairments (incl. POCI)	116		
o/w stage 3 impairments (incl. POCI)	355		
2018 Credit cost ratio (CCR)	0,03%		
YTD 2019 CCR	0,05%		

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets

30-09-2019, in millions of EUR

	Ireland			**Slovakia**			**Hungary**			**Bulgaria**			**Total Int Markets**		
Total portfolio outstanding	**10 025**			**8 186**			**5 279**			**3 464**			**26 954**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	63	0,6%		3 066	37,5%		3 195	60,5%		1 121	32,4%		7 444	27,6%	
retail	9 962	99,4%		5 120	62,5%		2 084	39,5%		2 343	67,6%		19 509	72,4%	
o/w private	9 947	99,2%		4 169	50,9%		1 919	36,3%		1 324	38,2%		17 358	64,4%	
o/w companies	15	0,2%		951	11,6%		166	3,1%		1 019	29,4%		2 151	8,0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	9 880	98,6%	68%	3 663	44,7%	66%	1 602	30,4%	66%	702	20,3%	64%	15 847	58,8%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	6	0,1%	102%	91	2,6%	62%	97	0,4%	
o/w ind. LTV > 100%	815	8,1%	-	27	0,3%	-	113	2,1%	-	27	0,8%	-	983	3,6%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	918	9,2%		5 045	61,6%		2 551	48,3%		954	27,6%		9 469	35,1%	
medium risk (PD 5-7; 0.80%-6.40%)	6 542	65,3%		2 319	28,3%		2 330	44,1%		1 813	52,3%		13 004	48,2%	
high risk (PD 8-9; 6.40%-100.00%)	815	8,1%		654	8,0%		231	4,4%		298	8,6%		1 999	7,4%	
impaired loans (PD 10 - 12)	1 739	17,4%		146	1,8%		166	3,1%		398	11,5%		2 450	9,1%	
unrated	0	0,0%		22	0,3%		1	0,0%		0	0,0%		33	0,1%	
Overall risk indicators [1]		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	1 739	418	24,0%	146	101	69,2%	166	89	53,5%	398	178	44,7%	2 450	786	32,1%
o/w PD 10 impaired loans	864	76	8,7%	30	17	57,1%	46	16	34,5%	67	9	13,2%	1 008	118	11,7%
o/w more than 90 days past due (PD 11+12)	875	342	39,1%	116	84	72,4%	119	73	60,9%	331	169	51,1%	1 441	668	46,4%
all impairments (stage 1+2+3)	444			155			109			208			915		
o/w stage 1+2 impairments (incl. POCI)	26			54			20			29			129		
o/w stage 3 impairments (incl. POCI)	418			101			89			178			786		
2018 Credit cost ratio (CCR)	-0,96%			0,06%			-0,18%			-0,31%			-0,46%		
YTD 2019 CCR	-0,24%			0,27%			-0,07%			0,32%			0,02%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre[1]
30-09-2019, in millions of EUR

Total portfolio outstanding	**3 446**		
Counterparty break down		% outst.	
SME / corporate	3 446	100,0%	
retail	0	0,0%	
o/w private	0	0,0%	
o/w companies	0	0,0%	
Mortgage loans		% outst.	ind. LTV
total	0	0,0%	-
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	0	0,0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 724	79,1%	
medium risk (PD 5-7; 0.80%-6.40%)	206	6,0%	
high risk (PD 8-9; 6.40%-100.00%)	84	2,4%	
impaired loans (PD 10 - 12)	431	12,5%	
unrated	0	0,0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	431	370	85,7%
o/w PD 10 impaired loans	54	12	22,5%
o/w more than 90 days past due (PD 11+12)	377	358	94,8%
all impairments (stage 1+2+3)	389		
o/w stage 1+2 impairments (incl. POCI)	19		
o/w stage 3 impairments (incl. POCI)	370		
2018 Credit cost ratio (CCR)	-0,83%		
YTD 2019 CCR	-0,76%		

Remarks

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

Solvency

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

Solvency KBC Group

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD IV. This regulation entered gradually into force on 1 January 2014. The general rule under CRR/CRD IV for insurance participations is that an insurance participation is deducted from common equity at group level, unless the competent authority grants permission to apply a risk weighting instead (Danish compromise). KBC received such permission from the supervisory authority and hence reports its solvency on the basis of a 370% risk weighting being applied to the holdings of own fund instruments of the insurance company, after having deconsolidated KBC Insurance from the group figures.

In addition to the solvency ratios under CRD IV/CRR, KBC is considered a financial conglomerate since it covers both significant banking and insurance activities. Therefore KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC. This implies that available capital is calculated on the basis of the consolidated position of the group and the eligible items recognised as such under the prevailing sectorial rules, which are CRR/CRD IV for the banking business and Solvency II for the insurance business. The capital requirement for the insurance business based on Solvency II is multiplied by 12.5 to obtain a risk weighted asset equivalent.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 92% of the weighted credit risks, of which approx. 88% according to Advanced and approx. 4% according to Foundation approach. The remaining weighted credit risks (ca. 8%) are calculated according to the Standardised approach.

The minimum CET1 requirement that KBC is to uphold is set at 10.7% (fully loaded, Danish Compromise) which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% Systemic Buffer and 0.45% Countercycle Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

Following table groups the solvency on the level of KBC Group according to different methodologies and calculation methods, including the deduction method.

Overview of KBC Group's capital ratios
In millions of EUR

30/09/2019		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	14 992	97 368	15,4%
Deduction Method	Fully loaded	14 027	91 994	15,2%
Financial Conglomerates Directive	Fully loaded	15 736	110 960	14,2%

Danish Compromise

In millions of EUR	30-09-2019 Fully loaded	31-12-2018 Fully loaded
Total regulatory capital (after profit appropriation)	18 409	18 217
Tier-1 capital	16 492	16 150
Common equity	14 992	15 150
Parent shareholders' equity (after deconsolidating KBC Insurance)	15 839	16 992
Intangible fixed assets (incl deferred tax impact) (-)	- 669	- 584
Goodwill on consolidation (incl deferred tax impact) (-)	- 753	- 602
Minority interests	0	0
Hedging reserve (cash flow hedges) (-)	1 436	1 263
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 10	- 14
Value adjustment due to the requirements for prudent valuation (-)	- 78	- 63
Dividend payout (-)	0	- 1 040
Renumeration of AT1 instruments (-)	- 14	- 7
Deduction re. financing provided to shareholders (-)	- 66	- 91
Deduction re. Irrevocable payment commitments (-)	- 45	- 32
IRB provision shortfall (-)	- 130	- 100
Deferred tax assets on losses carried forward (-)	- 518	- 571
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0
Additional going concern capital	1 500	1 000
CRR compliant AT1 instruments [(2)]	1 500	1 000
Minority interests to be included in additional going concern capital	0	0
Tier 2 capital	1 918	2 067
IRB provision excess (+)	111	204
Subordinated liabilities [(3)]	1 806	1 864
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier 2 capital	0	0
Total weighted risk volume	97 368	94 875
Banking	88 089	85 474
Insurance	9 133	9 133
Holding activities	162	302
Elimination of intercompany transactions	- 17	- 34
Solvency ratios		
Common equity ratio [(1)]	15,40%	15,97%
Tier-1 ratio	16,94%	17,02%
Total capital ratio	18,91%	19,20%

[(1)] No IFRS interim profit has been recognised for 9M19. When including 9M19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.9% at the end of 9M19.

[(2)] On February 26, 2019 KBC Group NV placed 500 million euros in non-dilutive, Additional Tier-1 securities. This AT1 instrument is a 5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.75% per annum, payable semi-annual.

[(3)] We received the approval of the ECB to call a 750 million euros Tier-2 instrument the 25th of November 2019 and to redeem a 45 million pond sterling grandfathered Additional Tier- 1 instrument by the 19th of December 2019. Regarding both instruments, the capital value has already been excluded from the Tier-2 capital. The Tier-2 call is replaced by a new 750 million euros Tier-2 instrument issued the 27th of August 2019.

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	30-09-2019	31-12-2018
Tier-1 capital (Danish compromise)	16 492	16 150
Total exposures	275 514	266 594
Total Assets	294 830	283 808
Deconsolidation KBC Insurance	-33 278	-31 375
Adjustment for derivatives	-4 568	-3 105
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 259	-2 043
Adjustment for securities financing transaction exposures	1 325	408
Off-balance sheet exposures	19 465	18 900
Leverage ratio	5,99%	6,06%

Solvency banking and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD IV. The solvency of KBC Insurance is calculated on the basis of Solvency II rules as they became effective on 1 January 2016.
The tables below show the tier-1 and CAD ratios calculated under Basel III (CRD IV/CRR) for KBC Bank, as well as the solvency ratio of KBC Insurance under Solvency II.

KBC Bank consolidated - CRDIV/CRR (in millions of EUR)	30-09-2019 Fully loaded	31-12-2018 Fully loaded
Total regulatory capital, after profit appropriation	15 652	15 749
Tier-1 capital [(1)]	13 704	13 625
Of which common equity [(2)]	*12 204*	*12 618*
Tier-2 capital [(3)]	1 948	2 124
Total weighted risks	88 089	85 474
Credit risk	73 843	71 224
Market risk	2 840	3 198
Operational risk	11 406	11 051
Solvency ratios		
Common equity ratio	13,9%	14,8%
Tier-1 ratio	15,6%	15,9%
CAD ratio	17,8%	18,4%

[(1)] On February 26, 2019 KBC Group NV placed 500 million euros in non-dilutive, Additional Tier-1 securities. This AT1 instrument is a 5-year non-call perpetual with a temporary write-down at 5.125% CET1 and an initial coupon of 4.75% per annum, payable semi-annual

[(2)] no IFRS interim profit has been recognised for 9M19.

[(3)] We received the approval of the ECB to call a Tier-2-benchmark the 25th of November 2019 and to redeem a grandfathered Additional Tier- 1 instrument by the 19th of December 2019. Regarding both instruments, the capital value has already been excluded from the Tier-2 capital. The Tier-2 call is replaced by a new Tier-2 benchmark issue the 27th of August 2019.

Solvency II, KBC Insurance consolidated (in millions of EUR)	30-09-2019	31-12-2018
Own Funds	3 393	3 590
Tier 1	2 893	3 090
IFRS Parent shareholders equity	3 680	2 728
Dividend payout	- 337	- 132
Deduction intangible assets and goodwill (after tax)	- 126	- 124
Valuation differences (after tax)	- 479	341
Volatility adjustment	186	313
Other	- 33	- 35
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 818	1 651
Market risk	1 501	1 379
Non-life	582	557
Life	656	666
Health	231	190
Counterparty	124	111
Diversification	- 975	- 922
Other	- 301	- 331
Solvency II ratio	187%	217%

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.

At the end of September 2019, the MREL ratio based on instruments issued by KBC Group NV ('HoldCo MREL') stands at 9.9% of TLOF. Based on the broader SRB definition including also eligible OpCo instruments, the MREL ratio amounts to 10.2% as % of TLOF. The latter is above the SRB requirement for KBC to achieve 9.76% as % of TLOF by 01-05-2019 using both HoldCo and eligible OpCo instruments.

Income statement, volumes and ratios per business unit

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

Business Unit Belgium (in millions of EUR)	**3Q 2019**	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	637	621	625	2 576	647	637
Non-life insurance before reinsurance	129	111	94	527	142	139
Earned premiums Non-life	284	275	270	1 070	275	271
Technical charges Non-life	-156	-165	-175	-543	-133	-133
Life insurance before reinsurance	-25	-24	-25	-110	-29	-32
Earned premiums Life	217	233	268	998	309	204
Technical charges Life	-242	-256	-293	-1 108	-338	-235
Ceded reinsurance result	-5	4	8	-26	-11	-3
Dividend income	14	38	11	74	12	11
Net result from financial instruments at fair value through profit or loss	-9	43	54	101	-40	53
Net realised result from debt instr FV through OCI	4	0	0	0	0	0
Net fee and commission income	297	293	286	1 182	273	289
Net other income	51	50	45	225	73	44
TOTAL INCOME	1 092	1 135	1 099	4 549	1 068	1 139
Operating expenses	-552	-575	-807	-2 484	-541	-559
Impairment	-21	-31	-83	-93	-49	-4
On financial assets at amortised cost and at FV through OCI	-21	-30	-82	-91	-48	-3
On other	0	-1	-1	-2	-1	-1
Share in results of associated companies and joint ventures	-2	-2	-1	-8	-1	-3
RESULT BEFORE TAX	517	526	208	1 963	478	573
Income tax expense	-149	-138	-32	-513	-117	-164
RESULT AFTER TAX	368	388	176	1 450	361	409
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**368**	**388**	**176**	**1 450**	**361**	**409**
Banking	287	289	102	1 071	279	325
Insurance	81	99	74	379	82	84
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	100 945	101 125	100 686	99 650	99 650	98 978
of which Mortgage loans (end of period)	35 832	35 674	35 234	35 049	35 049	34 775
Customer deposits and debt certificates excl. repos (end of period)	134 355	128 544	134 382	131 442	131 442	131 862
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	13 097	13 144	13 141	13 176	13 176	13 336
Unit-Linked (end of period)	13 281	13 201	13 156	12 774	12 774	13 272
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	49 985	48 959	49 403	48 120	48 120	47 207
Required capital, insurance (end of period)	1 572	1 508	1 506	1 421	1 421	1 567
Allocated capital (end of period)	6 920	6 747	6 792	6 522	6 522	6 571
Return on allocated capital (ROAC)	22%	23%	11%	22%	22%	25%
Cost/income ratio, banking	53%	54%	78%	58%	53%	51%
Combined ratio, non-life insurance	91%	91%	93%	87%	86%	86%
Net interest margin, banking	1,68%	1,67%	1,71%	1,72%	1,72%	1,69%

Business Unit Czech Republic (in millions of EUR)	**3Q 2019**	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	329	308	302	1 043	291	263
Non-life insurance before reinsurance	29	27	29	103	26	27
Earned premiums Non-life	72	70	66	248	64	65
Technical charges Non-life	-43	-42	-37	-145	-38	-38
Life insurance before reinsurance	13	15	14	58	14	14
Earned premiums Life	53	61	56	260	79	63
Technical charges Life	-40	-46	-42	-202	-64	-49
Ceded reinsurance result	0	-2	-3	-8	-3	0
Dividend income	0	0	0	1	0	0
Net result from financial instruments at fair value through profit or loss	-56	-34	-3	72	4	20
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	70	67	58	257	64	62
Net other income	2	84	13	14	4	3
TOTAL INCOME	388	465	410	1 540	400	388
Operating expenses	-187	-179	-204	-729	-187	-180
Impairment	-9	-7	1	-42	-10	-16
On financial assets at amortised cost and at FV through OCI	-9	-4	2	-8	0	-12
On other	0	-3	0	-34	-10	-4
Share in results of associated companies and joint ventures	0	4	4	19	3	4
RESULT BEFORE TAX	192	283	212	788	207	196
Income tax expense	-33	-35	-35	-134	-37	-29
RESULT AFTER TAX	159	248	177	654	170	168
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**159**	**248**	**177**	**654**	**170**	**168**
Banking	147	237	164	619	164	157
Insurance	12	11	13	35	6	10
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	29 200	28 711	23 685	23 387	23 387	23 305
of which Mortgage loans (end of period)	15 267	15 267	11 375	11 317	11 317	11 128
Customer deposits and debt certificates excl. repos (end of period)	38 170	38 536	32 210	32 394	32 394	32 063
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	616	621	613	613	613	611
Unit-Linked (end of period)	700	698	689	660	660	641
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	14 916	14 670	14 334	14 457	14 457	15 023
Required capital, insurance (end of period)	121	124	125	115	115	129
Allocated capital (end of period)	1 717	1 694	1 659	1 647	1 647	1 721
Return on allocated capital (ROAC)	38%	60%	43%	39%	40%	39%
Cost/income ratio, banking	48%	38%	50%	47%	45%	46%
Combined ratio, non-life insurance	94%	96%	93%	97%	101%	96%
Net interest margin, banking (*)	2,93%	3,18%	3,25%	3,07%	3,25%	3,04%

(*) As of 3Q 2019, ČMSS is taken fully into account

Business Unit International Markets (in millions of EUR)	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	216	214	213	896	222	226
Non-life insurance before reinsurance	32	35	35	117	29	31
Earned premiums Non-life	80	78	77	254	68	66
Technical charges Non-life	-48	-43	-42	-137	-39	-35
Life insurance before reinsurance	7	10	9	34	12	7
Earned premiums Life	21	23	27	101	27	25
Technical charges Life	-14	-14	-18	-67	-15	-18
Ceded reinsurance result	-2	-3	-2	-11	-2	-2
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	5	10	10	74	8	24
Net realised result from debt instr FV through OCI	1	0	1	0	0	-1
Net fee and commission income	77	77	68	284	69	74
Net other income	-16	-2	3	17	-1	2
TOTAL INCOME	321	340	336	1 412	338	361
Operating expenses	-212	-212	-260	-909	-233	-214
Impairment	-6	-7	7	118	6	18
On financial assets at amortised cost and at FV through OCI	-5	-6	8	127	8	19
On other	-1	-1	0	-9	-2	-2
Share in results of associated companies and joint ventures	1	1	1	5	1	1
RESULT BEFORE TAX	104	122	85	626	111	165
Income tax expense	-19	-18	-15	-93	-19	-24
RESULT AFTER TAX	85	104	70	533	93	141
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**85**	**104**	**70**	**533**	**93**	**141**
Banking	75	91	56	496	86	130
Insurance	11	13	14	37	7	11
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	24 718	24 333	24 146	24 015	24 015	23 728
of which Mortgage loans (end of period)	15 357	15 178	14 955	14 471	14 471	15 052
Customer deposits and debt certificates excl. repos (end of period)	22 939	22 970	23 063	22 897	22 897	22 408
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	258	262	261	257	257	255
Unit-Linked (end of period)	414	420	417	403	403	407
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	21 068	21 019	21 004	20 536	20 536	19 893
Required capital, insurance (end of period)	123	117	114	108	108	101
Allocated capital (end of period)	2 377	2 366	2 361	2 285	2 285	2 210
Return on allocated capital (ROAC)	14%	18%	12%	24%	17%	26%
Cost/income ratio, banking	67%	64%	80%	65%	69%	60%
Combined ratio, non-life insurance	93%	88%	84%	90%	95%	89%
Net interest margin, banking	2,61%	2,65%	2,69%	2,80%	2,74%	2,79%

Hungary (in millions of EUR)	**3Q 2019**	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	64	64	62	243	62	60
Non-life insurance before reinsurance	10	12	12	42	11	10
Earned premiums Non-life	36	35	37	109	28	28
Technical charges Non-life	-26	-24	-26	-67	-17	-17
Life insurance before reinsurance	2	2	2	10	4	2
Earned premiums Life	4	4	4	17	4	4
Technical charges Life	-2	-2	-3	-6	0	-2
Ceded reinsurance result	-1	0	-1	-3	-1	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	6	8	10	60	11	16
Net realised result from debt instr FV through OCI	1	0	0	-1	0	-1
Net fee and commission income	55	55	48	197	50	50
Net other income	0	0	1	15	1	1
TOTAL INCOME	137	142	133	565	138	138
Operating expenses	-83	-81	-102	-345	-83	-80
Impairment	-1	3	0	9	1	0
On financial assets at amortised cost and at FV through OCI	-1	3	0	9	1	1
On other	0	0	0	-1	0	-1
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	53	64	31	228	57	59
Income tax expense	-8	-9	-6	-32	-8	-8
RESULT AFTER TAX	45	55	25	196	49	51
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**45**	**55**	**25**	**196**	**49**	**51**
Banking	41	50	21	182	45	48
Insurance	4	4	4	14	4	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	4 522	4 527	4 395	4 373	4 373	4 287
of which Mortgage loans (end of period)	1 558	1 602	1 581	1 260	1 260	1 531
Customer deposits and debt certificates excl. repos (end of period)	7 140	7 388	7 484	7 503	7 503	7 019
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	52	55	55	55	55	53
Unit-Linked (end of period)	280	285	284	277	277	278
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 480	6 320	6 826	6 693	6 693	6 219
Required capital, insurance (end of period)	47	43	43	41	41	39
Allocated capital (end of period)	740	719	773	751	751	699
Return on allocated capital (ROAC)	24%	29%	13%	28%	29%	31%
Cost/income ratio, banking	62%	58%	79%	62%	60%	57%
Combined ratio, non-life insurance	96%	90%	89%	90%	92%	95%

Slovakia (in millions of EUR)	**3Q 2019**	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	51	50	52	211	53	54
Non-life insurance before reinsurance	7	7	7	25	7	6
Earned premiums Non-life	12	12	11	41	11	11
Technical charges Non-life	-5	-4	-4	-16	-4	-4
Life insurance before reinsurance	2	3	3	13	4	3
Earned premiums Life	10	10	11	53	13	13
Technical charges Life	-7	-7	-8	-40	-9	-10
Ceded reinsurance result	0	-1	0	-2	-1	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-5	-2	0	6	0	3
Net realised result from debt instr FV through OCI	0	0	1	0	0	0
Net fee and commission income	16	16	15	59	15	16
Net other income	2	1	2	4	-1	1
TOTAL INCOME	74	75	80	316	76	84
Operating expenses	-52	-51	-55	-205	-54	-50
Impairment	-6	-8	-3	-4	-5	1
On financial assets at amortised cost and at FV through OCI	-6	-8	-3	-4	-5	1
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	16	15	23	107	18	35
Income tax expense	-4	-4	-5	-25	-5	-8
RESULT AFTER TAX	12	11	18	82	13	27
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**12**	**11**	**18**	**82**	**13**	**27**
Banking	10	8	15	73	12	24
Insurance	2	3	3	9	2	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	7 471	7 316	7 177	7 107	7 107	6 979
of which Mortgage loans (end of period)	3 593	3 482	3 381	3 248	3 248	3 193
Customer deposits and debt certificates excl. repos (end of period)	6 438	6 236	6 270	6 348	6 348	6 333
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	114	115	114	114	114	115
Unit-Linked (end of period)	97	104	106	104	104	107
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 030	4 960	5 121	5 056	5 056	5 048
Required capital, insurance (end of period)	28	26	24	23	23	24
Allocated capital (end of period)	566	557	572	559	559	559
Return on allocated capital (ROAC)	8%	8%	13%	15%	10%	19%
Cost/income ratio, banking	71%	71%	70%	65%	70%	60%
Combined ratio, non-life insurance	84%	81%	82%	87%	92%	87%

Bulgaria (in millions of EUR)	**3Q 2019**	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	36	35	35	151	37	38
Non-life insurance before reinsurance	15	16	16	50	11	14
Earned premiums Non-life	32	31	29	104	29	27
Technical charges Non-life	-17	-15	-12	-54	-18	-13
Life insurance before reinsurance	3	4	4	12	5	2
Earned premiums Life	8	9	11	32	11	8
Technical charges Life	-5	-5	-7	-20	-6	-6
Ceded reinsurance result	-2	-2	-2	-6	-1	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	4	4	4	13	3	3
Net realised result from debt instr FV through OCI	0	0	0	1	0	0
Net fee and commission income	6	6	6	29	6	7
Net other income	1	0	0	-1	0	0
TOTAL INCOME	63	63	63	248	62	64
Operating expenses	-30	-29	-47	-143	-35	-31
Impairment	-6	-1	-2	1	-6	1
On financial assets at amortised cost and at FV through OCI	-6	-1	-2	10	-4	2
On other	0	0	0	-9	-2	-1
Share in results of associated companies and joint ventures	0	0	0	1	0	0
RESULT BEFORE TAX	26	33	15	107	21	34
Income tax expense	-3	-3	-2	-11	-2	-3
RESULT AFTER TAX	23	29	13	96	19	31
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**23**	**29**	**13**	**96**	**19**	**31**
Banking	20	24	7	86	18	26
Insurance	3	5	6	10	0	4
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	3 064	2 927	2 826	2 806	2 806	2 813
of which Mortgage loans (end of period)	675	659	645	642	642	1 094
Customer deposits and debt certificates excl. repos (end of period)	4 216	4 291	4 286	4 116	4 116	3 981
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	91	92	91	87	87	87
Unit-Linked (end of period)	37	31	27	22	22	22
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 338	3 554	3 237	2 991	2 991	3 081
Required capital, insurance (end of period)	48	48	47	44	44	38
Allocated capital (end of period)	405	428	393	361	361	365
Return on allocated capital (ROAC)	24%	30%	14%	27%	21%	34%
Cost/income ratio, banking	47%	46%	81%	57%	52%	48%
Combined ratio, non-life insurance	91%	89%	82%	91%	99%	82%

Ireland (in millions of EUR)	3Q 2019	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	66	65	65	291	69	74
Non-life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Life	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	-3	-5	-6	1
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	0	-1	-1	-1	-1	0
Net other income	-18	-4	0	-1	-1	0
TOTAL INCOME	48	61	60	284	61	75
Operating expenses	-47	-51	-56	-216	-62	-53
Impairment	7	0	12	111	15	15
On financial assets at amortised cost and at FV through OCI	7	0	12	112	15	15
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	8	10	16	180	15	36
Income tax expense	-3	-1	-2	-24	-4	-5
RESULT AFTER TAX	4	9	14	155	11	32
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**4**	**9**	**14**	**155**	**11**	**32**
Banking	4	9	14	155	11	32
Insurance	0	0	0	0	0	0
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	9 661	9 562	9 748	9 729	9 729	9 649
of which Mortgage loans (end of period)	9 531	9 435	9 348	9 320	9 320	9 235
Customer deposits and debt certificates excl. repos (end of period)	5 145	5 056	5 022	4 930	4 930	5 074
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 216	6 182	5 817	5 793	5 793	5 539
Allocated capital (end of period)	665	661	622	614	614	587
Return on allocated capital (ROAC)	3%	5%	9%	26%	7%	21%
Cost/income ratio, banking	98%	84%	93%	76%	101%	71%

Group centre - Breakdown net result (in millions of EUR)	**3Q 2019**	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Operational costs of the Group activities	-14	-14	-18	-77	-28	-18
Capital and treasury management	-9	-7	-3	19	11	4
Holding of participations	1	21	-11	-10	-9	-4
Results companies in rundown	12	5	4	58	15	10
Other	9	-1	34	-57	8	-10
Total net result for the Group centre	0	4	7	-67	-3	-17

Group Centre (in millions of EUR)	**3Q 2019**	2Q 2019	1Q 2019	FY 2018	4Q 2018	3Q 2018
Breakdown P&L						
Net interest income	-8	-11	-11	29	6	10
Non-life insurance before reinsurance	2	2	3	12	2	1
Earned premiums Non-life	3	3	2	10	2	1
Technical charges Non-life	-2	-1	1	2	0	0
Life insurance before reinsurance	0	0	0	-1	-1	1
Earned premiums Life	0	0	0	0	0	0
Technical charges Life	0	0	0	0	-1	0
Ceded reinsurance result	-1	2	-10	4	4	-1
Dividend income	0	1	1	7	2	1
Net result from financial instruments at fair value through profit or loss	14	-21	38	-17	29	-19
Net realised result from debt instr FV through OCI	0	0	0	9	0	1
Net fee and commission income	0	-1	-2	-3	0	-1
Net other income	5	2	-2	-30	-1	8
TOTAL INCOME	12	-27	17	11	42	0
Operating expenses	-23	-21	-24	-112	-34	-28
Impairment	10	5	6	35	10	4
On financial assets at amortised cost and at FV through OCI	10	5	6	35	10	4
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	-1	-43	-2	-67	18	-24
Income tax expense	1	47	9	0	-20	7
RESULT AFTER TAX	0	4	7	-67	-3	-17
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**0**	**4**	**7**	**-67**	**-3**	**-17**
Of which banking	5	0	12	-8	10	-8
Of which holding	-1	3	-1	-67	-10	-12
Of which insurance	-4	1	-4	7	-2	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	0	0	0	0	0	0
of which Mortgage loans (end of period)	0	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	9 806	9 089	8 332	7 558	7 558	7 723
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 266	2 607	2 652	2 629	2 629	2 725
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	2	5	6	7	7	-25
Allocated capital (end of period)	245	284	290	286	286	264

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

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

Calculation (in millions of EUR)	Reference	9M 2019	FY 2018	9M 2018
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 787	2 570	1 948
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 43	- 76	- 55
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	416,1	417,0	417,3
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		416,2	417,0	417,4
Basic = (A-B) / (C) (in EUR)		4,19	5,98	4,54
Diluted = (A-B) / (D) (in EUR)		4,19	5,98	4,54

Combined ratio (non-life insurance)

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	779	878	651
/				
Earned insurance premiums (B)	Note 3.7.1	1 260	1 553	1 151
+				
Operating expenses (C)	Note 3.7.1	398	505	383
/				
Written insurance premiums (D)	Note 3.7.1	1 334	1 597	1 230
= (A/B)+(C/D)		91,7%	88,2%	87,7%

Common equity ratio

A risk-weighted measure of the group's solvency, based on common equity tier-1 capital.

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'				
Fully loaded		15,4%	16,0%	16,0%

No interim profit has been recognized for 9M19. When including 9M19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.9% at the end of 9M19.

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Cost/income ratio				
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	2 895	3 714	2 857
/				
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	4 813	6 459	4 865
=(A) / (B)		60,2%	57,5%	58,7%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. The adjustments include: MTM ALM derivatives (fully excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 59% in 9M 2019 (versus 57% in FY 2018 and 57% in 9M 2018).

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges. Where appropriate, the numerator and denominator in the formula may be limited to impaired loans that are more than 90 days past due.

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 601	3 203	4 296
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 197	7 151	9 103
= (A) / (B)		42,0%	44,8%	47,2%

As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests and moreover the transaction scope of the loan portfolio has been extended.

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	129	- 59	- 90
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	170 689	163 393	164 391
= (A) (annualised) / (B)		0,10%	-0,04%	-0,07%

Impaired loans ratio

Indicates the proportion of impaired loans in the loan portfolio (see 'Loan portfolio' for definition) and, therefore, gives an idea of the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid. These loans have a KBC default status of PD 10, PD 11 or PD 12 and correspond to the definition of 'non-performing' used by the European Banking Authority.

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	6 197	7 151	9 103
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	176 553	164 824	166 822
= (A) / (B)		3,5%	4,3%	5,5%

As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests. In addition, the transaction scope of the loan portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Regulatory available tier-1 capital (A)	Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section)	16 492	16 150	17 418
/				
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Leverage ratio KBC Group (Basel III fully loaded' table in the 'Leverage KBC Group' section)	275 514	266 594	286 388
= (A) / (B)		6,0%	6,1%	6,1%

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.

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
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	76 500	79 300	79 747
/				
Total net cash outflows over the next 30 calendar days (B)		54 750	57 200	57 631
= (A) / (B)		140%	139%	138%

From year-end 2017 actuals, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	154 863	147 052	146 011
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	4 008	538	1 363
+				
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'	5 751	5 750	5 761
+				
Other exposures to credit institutions (D)		4 954	4 603	5 215
+				
Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees given'	8 076	8 302	8 352
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 928	3 534	3 735
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 308	- 2 296	- 2 214
+				
Non-loan-related receivables (H)		- 715	- 517	- 930
+				
Other (I)	Component of Note 4.1	- 1 005	- 2 142	- 473
= (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		176 553	164 824	166 822

As of 1Q18 a switch has been made in the risk reporting figures from 'outstanding' to the new definition of 'gross carrying amount', i.e. including reserved and accrued interests. In addition, the transaction scope of the loan portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) debtor risk KBC Commercial Finance, (3) unauthorized overdrafts, and (4) reverse repo (excl. central bank exposure).

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	2 867	3 813	2 844
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	193 407	187 703	187 657
= (A) (annualised x360/number of calendar days) / (B)		1,95%	2,00%	2,00%

From 1Q 2018 the definition of NIM has been updated, it concerns banking group NII excluding dealing room and the net positive impact of ALM FX swaps & repos.

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	173 000	165 650	164 300
/				
Required amount of stable funding (B)		128 600	122 150	122 500
= (A) / (B)		134,5%	135,6%	134,1%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Parent shareholders' equity (A)	'Consolidated balance sheet'	18 086	17 233	16 878
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416,1	416,1	415,8
= (A) / (B) (in EUR)		43,46	41,42	40,59

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

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

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	932	1 450	1 089
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		6 757	6 496	6 490
= (A) annualised / (B)		18,4%	22,3%	22,4%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	584	654	484
/				
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)		1 683	1 696	1 708
= (A) annualised / (B)		46,3%	38,5%	37,6%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	260	533	440
/				
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)		2 352	2 204	2 184
= (A) annualised / (B)		14,7%	24,2%	26,9%

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	9M 2019	FY 2018	9M 2018
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 787	2 570	1 948
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 44	- 76	- 55
/				
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'	16 477	15 935	15 665
= (A-B) (annualised) / (C)		14,1%	15,6%	16,1%

The return on equity in 9M 2019 including evenly spread of the bank tax throughout the year is 15%.

Sales Life (insurance)

Gives the indication of the sales activities of life insurance products including unit-linked.

Calculation (in millions of EUR or %)	Reference	9M 2019	FY 2018	9M 2018
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	959	1 359	944
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	0	0	- 1
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	419	457	364
Total sales Life (A)+ (B) + (C)		1 378	1 817	1 307

Solvency ratio (insurance)

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

Calculation	9M 2019	FY 2018	9M 2018
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	187%	217%	216%

Total assets under management

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

Calculation (in billions of EUR or quantity)	Reference	9M 2019	FY 2018	9M 2018
Belgium Business Unit (A)	Company presentation on www.kbc.com	197,0	186,4	200,3
+				
Czech Republic Business Unit (B)		10,4	9,5	9,7
+				
International Markets Business Unit (C)		4,8	4,4	4,3
A)+(B)+(C)		212,2	200,3	214,3