KBC Bank
Half-Year Report - 1H2020

Company name

'KBC' or 'KBC Bank' as used in this report refer to the consolidated bank entity (i.e. KBC Bank NV including all companies that are included in the scope of consolidation). 'KBC Bank NV' refers solely to the non-consolidated entity. KBC Group or the KBC group refers to the parent company of KBC Bank (see below).

Difference between KBC Bank and KBC Group

KBC Bank is a subsidiary of KBC Group. Simplified, the KBC Group's legal structure has one single entity – KBC Group NV – in control of two underlying companies, viz. KBC Bank and KBC Insurance.

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.

Glossary of ratios used (including the alternative performance measures)

See separate section at the end of this report.

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Management certification

'I, Rik Scheerlinck, Chief Financial Officer of KBC Bank, certify on behalf of the Executive Committee of KBC Bank NV that, to the best of my knowledge, the abbreviated financial statements included in the interim report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of KBC Bank NV including its consolidated subsidiaries, and that the interim report provides a fair overview 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.'

Contents

This report contains information that is subject to transparency regulations for listed companies. 20 August 2020, 8 a.m. CEST.

Report for the first six months of 2020

KBC Bank

Net result of 31 million euros for the first half of 2020

Key data, KBC Bank (consolidated, in millions of EUR)		1H2020	1H2019
Result after tax, excluding minority interests		**31**	**919**
by business unit:	Belgium	13	358
	Czech Republic	136	401
	International Markets (Slovakia, Hungary, Bulgaria, Ireland)	-48	148
	Group Centre	-70	12
Balance sheet and solvency		**30-06-2020**	**31-12-2019**
Total assets		281 789	253 967
Total equity		15 189	16 594
Common equity ratio (Basel III, fully loaded)		14.2%	14.7%

Introduction

- In the first half of the year, we were confronted with the outbreak and spread of the coronavirus (Covid-19) and the subsequent lockdowns. Over and above the human suffering caused by the pandemic itself, this also triggered unprecedented economic consequences. Even though society is now gradually reopening, it is clear that the coronavirus crisis will have a significant impact, especially in particular sectors. However, the various relief measures implemented in our home countries may help contain the overall impact going forward. Obviously, the long-term impact on the economy also depends on the occurrence and intensity of new outbreaks of the virus both now and in the months ahead.
- Since the start of the coronavirus crisis, we have been working hard with government agencies to support all customers impacted by coronavirus, by efficiently instituting relief measures – including loan deferrals – and adapting or extending these measures where necessary. In these difficult times, we have also managed to continue providing our customers in all our home markets with a high level of service, thanks in the main to the efforts and investments we have made over the past few years on the digital transformation front, in combination with the expertise and commitment of our employees in all our home countries. Meanwhile we will continue to work on solutions that proactively make life easier for our customers. The interaction between human and machine, between branch and digital app, supported by artificial intelligence and data analysis, plays a prominent role here.
- We believe that the world emerging from the coronavirus crisis will have to be a more sustainable one and we are working tirelessly to contribute to such a scenario. With that in mind, we successfully launched our second green bond in June for the amount of 500 million euros. By issuing green bonds, we aim to create a closer link with socially responsible investors, to provide finance to customers directly involved in sustainable projects and to contribute to the development of a liquid and efficient green bond market, which would help to finance the transition to a low-carbon economy.
- As regards our financial results, we generated a net profit of 31 million euros in the first half of 2020. The result was significantly impacted by the recording of 961 million euros in loan loss impairment charges, the bulk of which related to the potential economic consequences of the coronavirus crisis. In this regard, we wish to reiterate our guidance for full-year 2020, i.e. an estimated 1.1 billion euros in loan loss impairment charges. The half year under review also witnessed a drop in trading and fair value income, net fee and commission income, dividend income and other net income, and, on the positive side, an increase in net interest income and lower operating expenses (excluding bank taxes), thanks to strict cost containment measures together with the additional cost savings announced when the first-quarter results of KBC Group were published.

  An overview and calculations of the impact of the coronavirus crisis on KBC Bank's results is provided in Note 1.4 in the 'Consolidated financial statements' section of this report.

Financial highlights for the first half of 2020, compared with the first half of 2019

- Net interest income up 2% year-on-year and net interest margin at 1.89%. Customer loans up by 4%, deposits excluding debt certificates up by 11%;
- Net fee and commission income down 3%, due mainly to lower asset management related fees;
- Trading and fair value income at -84 million euros, down from 33 million euros in the reference period, largely as a result of the financial market turmoil triggered by the outbreak of the coronavirus crisis in the first quarter;
- Net other income down 65% due to the fact that the reference quarter had included a positive one-off item related to ČMSS;
- Operating expenses down 2%, thanks to cost containment measures. Cost/income ratio at 59% (when bank taxes are spread evenly throughout the year and certain non-operating items are excluded);
- Loan loss impairment charges at 961 million euros, up from 102 million euros in the reference period. The figure for the first half of 2020 included 789 million euros related to collective impairment charges for the coronavirus crisis. Credit cost ratio increased to 0.64%;
- Strong capital and liquidity base. Common equity ratio of 14.2%, NSFR and LCR of 142% and 136%, respectively.

Analysis of the results and balance sheet

A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated financial statements' section of this interim report. Condensed statements of comprehensive income, changes in shareholders' equity and cash flow, as well as several notes to the accounts, are also available in the same section.

Consolidated income statement, KBC Bank (in millions of EUR)	1H2020	1H2019
Net interest income	2 061	2 026
Dividend income	12	19
Net result from financial instruments at fair value through profit and loss[1]	-84	33
Net realised result from debt instruments at fair value through other comprehensive income	2	1
Net fee and commission income	990	1 026
Net other income	53	150
Total income	3 035	3 255
Operating expenses	-2 002	-2 036
Impairment	-991	-107
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-961*	*-102*
Share in results of associated companies and joint ventures	-6	6
Result before tax	35	1 118
Income tax expense	-4	-166
Result after tax	31	953
attributable to minority interests	0	34
attributable to equity holders of the parent (group share)	**31**	**919**
Breakdown of result after tax, attributable to equity holders of the parent		
Belgium	13	358
Czech Republic	136	401
International Markets (Slovakia, Hungary, Bulgaria, Ireland)	-48	148
Group Centre	-70	12

1 Also referred to as 'trading and fair value income'
2 Also referred to as 'loan loss impairments'

Highlights, consolidated balance sheet, KBC Bank (in millions of EUR)	30-06-2020	31-12-2019
Total assets	281 789	253 967
Loans and advances to customers, excl. reverse repos	155 647	153 781
Securities (equity and debt instruments)	53 352	46 260
Deposits from customers and debt securities, excluding repos	212 814	203 839
Risk weighted assets (Basel III, fully loaded)	91 086	89 838
Total equity	15 189	16 594
of which parent shareholders' equity	13 689	15 091

Selected ratios, KBC Bank (consolidated)	1H2020	FY2019
Cost/income ratio (between brackets: when spreading the bank tax evenly throughout the year and excluding certain non-operating items)	66% (59%)	58% (58%)
Common equity ratio according to Basel III, fully loaded [transitional]	14.2% [14.2%]	14.7%
Leverage ratio according to Basel III, fully loaded [transitional]	4.8% [4.9%]	5.5%
Credit cost ratio	0.64%	0.12%
Impaired loans ratio	3.4%	3.5%
for loans more than 90 days overdue	1.9%	1.9%
Net stable funding ratio (NSFR)	142%	136%
Liquidity coverage ratio (LCR)	136%	138%

Analysis of the main items in our profit and loss account (1H2020 compared to 1H2019)

- Slightly higher **net interest income** (up 2% to 2 061 million euros), with inter alia higher commercial lending volumes (see below), somewhat lower funding costs, the effect of ECB tiering, a larger bond portfolio and the ČMSS impact (consolidated for six months in 2020 compared to just one month in the first half of 2019) more than offsetting the negative impact of the rate cuts in the Czech Republic, the negative effects of lower reinvestment yields, continued pressure on portfolio margins in most core countries (except Belgium), the lower netted positive impact of ALM FX swaps and the depreciation of the Czech koruna and Hungarian forint against the euro. The volume of deposits and debt certificates increased by 7% (and by as much as 11% when debt certificates are excluded) and lending volumes rose by 4%, with growth in all business units. The net interest margin in the first half of 2020 came to 1.89%, down 7 basis points year-on-year.
- Lower **net fee and commission income** (down 3% to 990 million euros), attributable primarily to a decline in fees for asset management services (lower sales and a lower level of assets under management, both related to the effect of the coronavirus crisis), and, to a lesser extent, lower fees related to certain banking services such as payment services (lockdown effect) and only partly offset by the positive ČMSS impact. At the end of June 2020, total assets under management at KBC Group amounted to 202 billion euros, down 4% on the level recorded a year earlier (-1% due to a decline in asset prices, -3% due to net outflows).
- Lower **trading and fair value income** (down from 33 million euros to -84 million euros). The figure for the first six months of the year is the result of a huge drop in the first quarter (the outbreak of the coronavirus crisis initially caused stock markets to tumble, credit spreads to widen and long-term interest rates to fall) followed by a significant but still partial recovery in the second quarter.
- A lower level of **all other income items combined** (down 60% to 68 million euros, i.e. the sum of Dividend income, Net realised result from debt instruments at fair value through other comprehensive income and Net other income) attributable to the fact that the reference period had included the ČMSS-related positive one-off gain of 82 million euros (revaluation gain on the already existing stake in ČMSS triggered by the acquisition of the remaining participation in that company) and also – to a lesser extent – to lower dividend income (lower dividends received due to the coronavirus crisis).
- Lower **operating expenses** (down 2% to 2 002 million euros). Excluding bank taxes (up from 397 million euros to 417 million euros in the current period), operating expenses were down 3%, thanks to items such as the reduction in FTEs, lower accruals for variable remuneration, lower travel, marketing, facilities and event costs (the latter four items were directly related to the effects of lockdown) and the depreciation of the Czech koruna and Hungarian forint against the euro. These items more than offset the increase in costs that had come about partly because of wage drift, higher depreciation charges and the ČMSS impact (consolidated for six months in 2020 compared to just one month in the first half of 2019). The year-to-date cost/income ratio came to 66%, or an adjusted 59% when bank taxes are evenly spread throughout the year and certain non-operating items are excluded (compared to 58% for full-year 2019).
- A significant increase in **loan loss impairment charges** (net addition of 961 million euros, compared to 102 million euros in the first half of 2019). Loan loss impairment in the first half of 2020 breaks down into 570 million euros in Belgium, 178 million euros in the Czech Republic, 48 million euros in Slovakia, 26 million euros in Bulgaria, 54 million euros in Hungary, 95 million euros in Ireland and a net reversal of 9 million euros for the Group Centre. For the group as a whole, over 80% (some 789 million euros) of the loan loss impairments in the period under review was related to collective impairment charges for the coronavirus crisis, with 639 million euros being based on a 'management overlay' and roughly 150 million euros captured by the ECL models through updated macroeconomic variables (a detailed calculation and background information regarding the calculation can be found in Note 1.4 of the 'Consolidated financial statements' section of this interim report). As a result,

the credit cost ratio for the whole group went up to 0.64%, compared to 0.12% for full-year 2019. Excluding the collective impairments for the coronavirus crisis, the credit cost ratio would have been 0.20% in the first half of 2020. At the end of June 2020, some 3.4% of our loan book was classified as impaired (stage 3), with 1.9% being impaired and more than 90 days past due, compared to 3.5% and 1.9%, respectively, at year-end 2019. For an indication of the expected full-year 2020 loan loss impairment impact, see 'Guidance' below.

- **Impairment on assets other than loans** stood at 30 million euros, compared to 4 million euros in the reference period. The current period's figure related for a large part to the accounting treatment ('*modification loss*') of the various payment moratoria in our home countries.

Performance by business unit (1H2020 compared to 1H2019)

- Belgium Business Unit: the net result (13 million euros) was down 345 million euros on its level in the reference period, mainly as a result of the significant increase (of 458 million euros) in loan loss impairment charges, most of which related to the impact of the coronavirus crisis, and the drop in trading and fair value income (down 64 million euros) due primarily to the initial market turmoil caused by the coronavirus outbreak. To a lesser extent, there was also a drop in dividend income, net fee and commission income and net other income, while on the positive side, net interest income increased and costs were down thanks to cost containment measures.
- Czech Republic Business Unit: the net result (136 million euros) was down 265 million euros on its level in the reference period (262 million euros if the effect of the depreciation of the Czech koruna against the euro is disregarded). As in Belgium, this was mainly caused by significantly higher loan loss impairment charges (up 176 million euros) that were largely related to the impact of the coronavirus crisis. Net other income also fell significantly (83 million euros), due mainly to an 82-million-euros one-off gain in the first half of 2019 (on the already existing 55% participation in ČMSS following the acquisition of the remaining 45% stake). To a lesser extent, there was also a drop in net fee and commission income and in net interest income (partly related to recent rate cuts by the Czech National Bank).
- International Markets Business Unit: the -48 million euro net result breaks down as follows: -8 million euros in Slovakia, 9 million euros in Hungary, 8 million euros in Bulgaria and -56 million euros in Ireland. For the business unit as a whole, the net result was down 196 million euros on its level in the reference period. The latter decrease came about mainly on account of higher loan loss impairment charges (up 224 million euros) in all countries, largely related to the impact of the coronavirus crisis. To a much lesser extent, there was also a drop in trading and fair value income and in net fee and commission income, while, on the positive side, net interest income and net other income increased and costs declined.
- Group Centre (certain capital and liquidity management-related costs, costs related to the holding of participations and the results of the companies or activities that are either earmarked for divestment or are in run-down): the net result (-70 million euros) was down 82 million euros on the reference period, due mainly to the 44-million-euro drop in trading and fair value income and a one-off item in the reference period (the first half of 2019 had included a positive one-off item of 36 million euros on the tax line).

Selected ratios per business unit	Belgium 1H2020	Belgium FY2019	Czech Republic 1H2020	Czech Republic FY2019	International Markets 1H2020	International Markets FY2019
Cost/income ratio, banking when spreading the bank tax evenly throughout the year and excluding certain non-operating items	58%	60%	48%	47%	68%	68%
Credit cost ratio*	0.63%	0.22%	0.62%	0.04%	0.82%	-0.07%
Impaired loans ratio	2.4%	2.4%	2.2%	2.3%	7.8%	8.5%

* Negative figure indicates a net impairment release (with positive impact on results).

Equity, solvency and liquidity

- At the end of June 2020 total equity came to 15.2 billion euros and consisted of 13.7 billion euros in parent shareholders' equity (or 'the group share') and 1.5 billion euros in additional tier-1 instruments. Total equity was down 1.4 billion euros on its level at the beginning of the year. This decrease resulted from a number of factors, including the decrease in various revaluation reserves (-0.3 billion euros, mainly in translation differences related to the depreciation of the Czech koruna and Hungarian forint in the period under review) and the dividend paid to KBC Bank's parent company, KBC Group (-1.1 billion euros). We have provided details of these changes in the 'Consolidated financial statements' section, under 'Consolidated statement of changes in equity'.
- The fully loaded common equity ratio amounted to 14.2% at 30 June 2020, compared to 14.7% a year earlier (the ratio including transitional measures also came to 14.2% at 30 June 2020). The leverage ratio (Basel III, fully loaded) stood at 4.8%, compared to 5.5% at 31 December 2019.
- KBC Bank's liquidity position remains excellent, as reflected in an LCR ratio of 136% and an NSFR ratio of 142% at the end of June 2020, compared to 138% and 136%, respectively, at 31 December 2019.

Risk statement, economic views and guidance

Risk statement

As we are mainly active in banking 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, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. KBC closely monitors and manages each of these risks within a strict risk framework, but they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.

At present, a number of items are considered to constitute the main challenges for the financial sector. These stem primarily from the impact of the coronavirus crisis on the global economy and, in particular, the financial sector (including credit, market and liquidity risks and the impact of persisting low interest rates on our results). These risks come on top of risks relating to macroeconomic and political developments, such as Brexit and trade conflicts, all of which affect global and European economies, including KBC's home markets. Regulatory and compliance risks (including anti-money laundering regulations and GDPR) remain dominant themes 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, interim reports and dedicated risk reports of KBC Bank and KBC Group, all of which are available at www.kbc.com.

Our view on economic growth

Global economic growth suffered in the second quarter from the coronavirus (Covid-19) pandemic shock, leading to an unprecedented fall in quarterly GDP growth in the euro area and the US. Belgium followed the general euro area trend, whereas Ireland outperformed it, relatively speaking. Central and Eastern European countries were severely hit, too. During the second quarter, however, most advanced economies reopened their economies after intensive lockdown periods, initiating a strong recovery. This rebound became visible in all major economies, with China leading the way and returning to positive growth levels in the second quarter. Sentiment indicators and other data point to a similarly strong recovery in the euro area and the US. Nevertheless, caution is warranted, as the path to recovery could turn out to be a long and bumpy one, and will be heavily reliant on how the Covid-19 situation pans out. New virus outbreaks will undoubtedly slow down the recovery. The other main risk factors include the resurgence of the US-China trade and economic conflict and ongoing Brexit negotiations. Our base-case scenario assumes a steady but gradual path to recovery in both Europe and the US. We forecast for the European and US economy a strong recovery in the third and fourth quarter of 2020 and a continued recovery in 2021. However, risks are tilted to the downside. New outbreaks of Covid-19 followed by partial or full lockdowns may temporarily disrupt the course of recovery. We expect real GDP levels in the euro area to recover to their pre-coronavirus levels by the end of 2023 at the earliest.

Despite the expected recovery, the economic damage caused by the pandemic will be substantial. However, some negative effects have been postponed thanks to the temporary unemployment schemes and temporary moratoria on loans that mitigated the initial impact of the Covid-19 crisis. We expect European unemployment rates to go up in the second half of 2020 and in 2021. Moreover, we expect bankruptcies among European firms to increase, but the effect will be spread over a number of years. Hence non-performing loan ratios will gradually climb.

Our view on interest rates and foreign exchange rates

The recovery is strongly supported by monetary and fiscal stimuli. We expect the ECB – and the Czech and Hungarian National Banks – to keep their policy rates unchanged in the years to come. Additional monetary stimulus measures by the ECB are likely, in the form of additional quantitative easing, in particular by extending the Pandemic Emergency Purchasing Programme. These market interventions will also guarantee low longer-term interest rates and compressed intra-EMU spreads in the coming years, despite country-specific risks (particularly in Southern Europe) and a structural upswing in public deficits and public debt ratios across Europe. Moreover, the ECB will continue to support European financial institutions through the TLTROs and the tiered deposit rate instrument. In recent months, fiscal stimuli have been extended substantially, both at EU level and by the EU member states. The 'Next Generation EU' instrument, launched by the European Commission and approved by the European Council, creates a tool for financial solidarity within the EU and has clearly succeeded in calming the financial markets. Moreover, the number and span of fiscal stimulus initiatives launched by national EU governments continue to increase. Combined monetary and fiscal stimulus will underpin the recovery in Europe, similar to the policy initiatives launched in the US.

The recent recovery of the euro against the US dollar should be seen as market optimism towards the economic recovery in Europe and the policy initiatives to support this trend. We expect the euro to continue its gradual appreciation against the dollar, although the rate at which it appreciates may slow down. Central European currencies have also recovered from their Covid-19 crisis dips. In particular, we expect the Czech koruna and Hungarian forint to remain relatively stable around their current levels in the near future. Bulgaria's accession to the ERM-II is a welcome and expected step towards euro area membership, though that is not expected anytime in the next three years.

Our guidance

- Loan loss impairment: approximately 1.1 billion euros for full-year 2020. Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of our core countries, and the unknown number of customers who will call upon these mitigating actions, we estimate loan loss impairment for full-year 2020 to range between approximately 0.8 billion euros (optimistic scenario) and approximately 1.6 billion euros (pessimistic scenario);
- The impact of the coronavirus lockdown on digital sales, services and digital signing has so far been very positive. KBC is clearly benefiting from the digital transformation efforts it has made to date;
- Basel IV has been postponed by one year (now to become effective as from 1 January 2023 instead of 2022);
- We will provide a strategy update (at KBC Group level) together with the publication of KBC Group's results for the third quarter of 2020 (12 November 2020), while new long-term guidance and our capital deployment plan will be updated when the results for full-year 2020 are published (11 February 2021).

Consolidated financial statements

according to IFRS, KBC Bank – 1H2020

Reviewed by the statutory auditor

Abbreviations used

- **AC**: amortised cost
- **ALM**: Asset Liability Management
- **ECL:** Expected Credit Loss
- **FA:** Financial Assets
- **FV**: Fair Value
- **FVA**: Funding Value Adjustment
- **FVO**: Fair Value Option (designated upon initial recognition at Fair Value through Profit or Loss)
- **FVOCI**: Fair Value through Other Comprehensive Income
- **FVPL**: Fair Value through Profit or Loss
- **GCA**: Gross Carrying Amount
- **HFT**: Held For Trading
- **MFVPL**: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)
- **OCI**: Other Comprehensive Income
- **POCI**: Purchased or Originated Credit Impaired Assets
- **SPPI**: Solely payments of principal and interest
- **SRB**: Single Resolution Board
- **R/E**: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	1H 2020	1H 2019
Net interest income	3.1	2 061	2 026
Interest income	*3.1*	*3 152*	*3 392*
Interest expense	*3.1*	*- 1 091*	*- 1 366*
Dividend income		12	19
Net result from financial instruments at fair value through profit or loss	3.3	- 84	33
Net realised result from debt instruments at fair value through OCI		2	1
Net fee and commission income	3.5	990	1 026
Fee and commission income	*3.5*	*1 245*	*1 265*
Fee and commission expense	*3.5*	*- 255*	*- 240*
Net other income	3.6	53	150
TOTAL INCOME		3 035	3 255
Operating expenses	3.8	- 2 002	- 2 036
Staff expenses	*3.8*	*- 832*	*- 858*
General administrative expenses	*3.8*	*- 1 056*	*- 1 071*
Depreciation and amortisation of fixed assets	*3.8*	*- 115*	*- 107*
Impairment	3.10	- 991	- 107
on financial assets at AC and at FVOCI	*3.10*	*- 961*	*- 102*
on goodwill	*3.10*	*0*	*0*
other	*3.10*	*- 30*	*- 4*
Share in results of associated companies and joint ventures		- 6	6
RESULT BEFORE TAX		35	1 118
Income tax expense	3.12	- 4	- 166
RESULT AFTER TAX		31	953
attributable to minority interests		0	34
of which relating to discontinued operations		*0*	*0*
attributable to equity holders of the parent		**31**	**919**
of which relating to discontinued operations		*0*	*0*

Condensed consolidated statement of comprehensive income

(in millions of EUR)	1H 2020	1H 2019
RESULT AFTER TAX	31	953
attributable to minority interests	0	34
attributable to equity holders of the parent	31	919
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	- 257	- 50
Net change in revaluation reserve (FVOCI debt instruments)	- 7	50
Net change in hedging reserve (cashflow hedges)	- 19	- 100
Net change in translation differences	- 297	- 9
Hedge of net investments in foreign operations	65	9
Net change in respect of associated companies and joint ventures	0	0
Other movements	1	0
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	- 4	- 29
Net change in revaluation reserve (FVOCI equity instruments)	3	12
Net change in defined benefit plans	- 10	- 39
Net change in own credit risk	4	- 2
Net change in respect of associated companies and joint ventures	0	0
TOTAL COMPREHENSIVE INCOME	- 229	873
attributable to minority interests	0	32
attributable to equity holders of the parent	- 229	841

The largest movements in other comprehensive income (1H 2020 vs. 1H 2019):

- Net change in revaluation reserve (FVOCI debt instruments): the net change in 1H 2020 was limited to -7 million euros. In 1H 2019, the revaluation reserve (FVOCI debt instruments) increased by 50 million euros, positively impacted by lower interest rates. This also largely explains the negative net change in the hedging reserve (cashflow hedge) of -100 million euros in 1H 2019.
- The net change in translation differences (-297 million euros) in 1H 2020 was mainly caused by the substantial weakening of the CZK and HUF versus the EUR. This is only partially compensated by the hedge of the net investment in foreign operations (+65 million euros) as the hedging policy of FX participations since mid-2019 aims to stabilize the group capital ratio (and not parent shareholders' equity).
- Net change in defined benefit plans: the net change in 1H 2020 was limited to -10 million euros. This is the result of compensating effects in the first and second quarters (positive figure in the first quarter because of the mortality risk of the KBC pension fund being fully reinsured as of 2020 while the higher discount rate is offset by a negative return on plan assets; negative figure in the second quarter caused by lower interest rates, which is only partly offset by the positive return on the plan assets). In 1H 2019, the defined benefit plans decreased with 39 million euros following decreasing interest rates.

Consolidated balance sheet

(in millions of EUR)	Note	30-06-2020	31-12-2019
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		23 540	8 328
Financial assets	4.0	249 412	238 226
Amortised cost	*4.0*	*231 955*	*224 617*
Fair value through OCI	*4.0*	*6 554*	*5 890*
Fair value through profit or loss	*4.0*	*10 693*	*7 560*
of which held for trading	*4.0*	*10 379*	*7 307*
Hedging derivatives	*4.0*	*210*	*158*
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		1 623	478
Tax assets		1 610	1 335
Current tax assets		*103*	*58*
Deferred tax assets		*1 507*	*1 276*
Non-current assets held for sale and disposal groups		17	1
Investments in associated companies and joint ventures		22	25
Property, equipment and investment property		3 250	3 411
Goodwill and other intangible assets		1 282	1 305
Other assets		1 033	858
TOTAL ASSETS		281 789	253 967

LIABILITIES AND EQUITY			
Financial liabilities	4.0	264 018	235 274
Amortised cost	*4.0*	*254 109*	*224 560*
Fair value through profit or loss	*4.0*	*8 486*	*9 543*
of which held for trading	*4.0*	*6 451*	*7 004*
Hedging derivatives	*4.0*	*1 424*	*1 170*
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		293	- 122
Tax liabilities		74	109
Current tax liabilities		*30*	*62*
Deferred tax liabilies		*44*	*47*
Liabilities associated with disposal groups		0	0
Provisions for risks and charges		206	222
Other liabilities		2 010	1 890
TOTAL LIABILITIES		266 601	237 373
Total equity	5.10	15 189	16 594
Parent shareholders' equity	5.10	13 689	15 091
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	3
TOTAL LIABILITIES AND EQUITY		**281 789**	**253 967**

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-06-2020									
Balance at the end of the previous period	9 732	2 066	0	4 440	- 1 147	15 091	1 500	3	16 594
Net result for the period	0	0	0	31	0	31	0	0	31
Other comprehensive income for the period	0	0	0	1	*- 261*	*- 260*	0	0	- 260
Subtotal	0	0	0	33	- 261	- 229	0	0	- 229
Dividends	0	0	0	- 1 145	0	- 1 145	0	0	- 1 145
Coupon on AT1	0	0	0	- 26	0	- 26	0	0	- 26
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	1	- 1	0	0	0	0
Impact business combinations	0	0	0	- 3	0	- 3	0	- 3	- 5
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	- 1 140	- 262	- 1 402	0	- 3	- 1 405
Balance at the end of the period	9 732	2 066	0	3 300	*- 1 410*	*13 689*	1 500	*0*	*15 189*
of which relating to the equity method	-	-	-	-	*0*	*0*	*0*	*0*	*0*
2019									
Balance at the end of the previous period	8 948	895	0	5 473	- 1 167	14 150	2 400	159	16 709
Net result for the period	0	0	0	2 005	0	2 005	0	35	2 040
Other comprehensive income for the period	0	0	0	- 6	18	12	0	- 1	11
Subtotal	0	0	0	1 999	18	2 017	0	34	2 051
Dividends	0	0	0	- 906	0	- 906	0	0	- 906
Coupon on AT1	0	0	0	- 54	0	- 54	0	0	- 54
Issue/repurchase of AT1 included in equity	0	0	0	- 2	0	- 2	- 900	0	- 902
Capital increase	784	1 171	0	0	0	1 955	0	0	1 955
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	- 1	1	0	0	0	0
Impact business combinations	0	0	0	- 2 068	0	- 2 068	0	- 190	- 2 258
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	784	1 171	0	- 1 033	20	941	- 900	- 156	- 115
Balance at the end of the period	9 732	2 066	0	4 440	- 1 147	15 091	1 500	3	16 594
of which relating to the equity method	-	-	-	-	*0*	*0*	*0*	*0*	*0*

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	Total equity
30-06-2019									
Balance at the end of the previous period	**8 948**	**895**	**0**	**5 473**	**- 1 167**	**14 150**	2 400	159	**16 709**
Net result for the period	**0**	**0**	**0**	**919**	**0**	**919**	0	34	**953**
OCI for the period	**0**	**0**	**0**	**0**	**- 78**	**- 78**	0	- 1	**- 80**
Subtotal	**0**	**0**	**0**	**919**	**- 78**	**841**	0	32	**873**
Dividends	**0**	**0**	**0**	**- 906**	**0**	**- 906**	0	0	**- 906**
Coupon on AT1	**0**	**0**	**0**	**- 30**	**0**	**- 30**	0	0	**- 30**
Issue/repurchase of AT1 included in equity	**0**	**0**	**0**	**- 2**	**0**	**- 2**	- 900	0	**- 902**
Capital increase	**784**	**1 171**	**0**	**0**	**0**	**1 955**	0	0	**1 955**
Transfer from revaluation reserves to retained earnings on realisation	**0**	**0**	**0**	**0**	**0**	**0**	0	0	**0**
Impact business combinations	**0**	**0**	**0**	**- 2 068**	**0**	**- 2 068**	0	- 190	**- 2 258**
Change in minorities interests	**0**	**0**	**0**	**0**	**0**	**0**	0	0	**0**
Total change	**784**	**1 171**	**0**	**- 2 088**	**- 78**	**- 211**	- 900	- 157	**- 1 269**
Balance at the end of the period	**9 732**	**2 066**	**0**	**3 385**	**- 1 245**	**13 939**	1 500	1	**15 440**
of which relating to application of the equity method	-	-	-	-	*0*	*0*	*0*	*0*	*0*

30-06-2020

- 'Dividends' in 1H 2020: includes a final dividend of 1 145 million euros for 2019, paid to KBC Group NV in May 2020.

30-06-2019

- 'Dividends' in 1H 2019: includes a final dividend of 906 million euros for 2018, paid to KBC Group NV in May 2019.
- 'Issue or Call of additional Tier-1 instruments (AT1) included in equity' in 1H 2019: on 26 February 2019 KBC Group NV placed 500 million euros AT1 securities and underwrote an AT1 security for the same amount at KBC Bank. On 19 March 2019, KBC called the AT1 instrument it issued in 2014, which had a nominal value of 1.4 billion euros and at the same time called the subordinated intercompany loan of the same amount that KBC Group NV granted to KBC Bank NV.
- Since the 48,14% minority part in KBC Asset Management (KBC AM), which used to be held by KBC Group (KBC Bank's parent company), has been transferred to KBC Bank as of April 2019, KBC Bank now holds 100% of KBC AM. This was done in the form of a share sale, after which KBC Group has done a capital increase at KBC Bank (2.0 billion euros). Goodwill paid is deducted directly from retained earnings (-2.1 billion euros).

Breakdown of revaluation reserves:

(in millions of EUR)	30-06-2020	31-12-2019	30-06-2019
Revaluation reserve (FVOCI debt instruments)	209	216	220
Revaluation reserve (FVOCI equity instruments)	23	21	24
Hedging reserve (cashflow hedges)	- 1 350	- 1 331	- 1 363
Translation differences	- 386	- 89	- 78
Hedge of net investments in foreign operations	153	88	94
Remeasurement of defined benefit plans	- 59	- 49	- 138
Own credit risk through OCI	0	- 4	- 6
Total revaluation reserves	**- 1 410**	**- 1 147**	**- 1 245**

Consolidated cash flow statement

(in millions of EUR)	Note (1)	1H 2020	1H 2019
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	35	
Adjustments for non-cash items in profit & loss		1 109	
Changes in operating assets (excluding cash and cash equivalents)		- 11 271	
Changes in operating liabilities (excluding cash and cash equivalents)		29 219	
Income taxes paid		- 248	
Net cash from or used in operating activities		18 845	- 4 422
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	- 4 856	
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		0	
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		0	
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)		- 62	
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		54	
Other		4	
Net cash from or used in investing activities		- 4 860	- 1 779
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Consolidated statement of changes in equity	0	
Issue or repayment of promissory notes and other debt securities	4.1	- 155	
Proceeds from or repayment of subordinated liabilities	4.1	914	
Principal payments under finance lease obligations		0	
Proceeds from the issuance of share capital	Consolidated statement of changes in equity	0	
Issue of additional tier-1 instruments	Consolidated statement of changes in equity	0	
Proceeds from the issuance of preference shares	Consolidated statement of changes in equity	0	
Dividends paid	Consolidated statement of changes in equity	- 1 145	
Coupon additional Tier-1 instruments		- 26	
Net cash from or used in financing activities		- 411	1 397
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		13 574	- 4 804
Cash and cash equivalents at the beginning of the period		29 089	34 467
Effects of exchange rate changes on opening cash and cash equivalents		- 1 330	222
Cash and cash equivalents at the end of the period		41 333	29 884
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	23 540	8 070
Term loans to banks at not more than three months (excl. reverse repos)	4.1	1 667	695
Reverse repos with credit institutions and investment firms at not more than three months	4.1	22 307	26 781
Deposits from banks repayable on demand	4.1	- 6 180	- 5 662
Cash and cash equivalents belonging to disposal groups		0	0
Total		41 333	29 884
of which not available		*0*	*0*

(1) The notes referred to do not always contain the exact same amounts as those included in the cashflow statement, as - among other things - adjustments have been made to take account of acquisitions or disposals of subsidiaries, as set out in IAS 7.

- As of 2020, we provide additional details on the cash flow statement in the interim reporting (not retroactively).
- The net cash from operating activities in 1H 2020 (+18 845 million euros) is mainly explained by +19.5 billion euros TLTRO III funding. In 1H 2019, the negative net cash from operating activities (-4 422 million euros) mainly includes higher term loans and mortgage loans, partly compensated by the realised result.
- Net cash from investing activities in 1H 2020 (-4 860 million euros) is mainly explained by additional investments in debt securities at amortised cost. The net cash from investing activities in 1H 2019 (-1 779 million euros) includes -2 205 million euros from the acquisition of the remaining shares of KBC Asset Management from KBC Group, partly offset by +439 million euros related to the acquisition of the remaining 45% stake in ČMSS (the acquisition price of 240 million euros is more than compensated by available cash and cash equivalents on the balance sheet of ČMSS).
- The net cash flow from financing activities in 1H 2020 (-411 million euros) mainly includes dividend payment of 1 145 million euros (to KBC Group), partly compensated by the issue of Senior subordinated instruments for 1 billion euros (of which the issue of a green bond for 500 million euros). Matured covered bond position of 1 billion euros in May is fully renewed in June.
- In 1H 2019, the net cash flow from financing activities (+1 397 million euros) included 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 and the issue of Additional Tier-1 instruments included in equity for 500 million euros. Also included is a dividend payment of 906 million euros (to KBC Group), the issue of Senior subordinated instruments for 1 500 million euros and a capital increase at KBC Bank (by KBC Group) of 1 955 million euros.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2019)

The condensed interim financial statements of KBC Bank for the period ended 30 June 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').

The following IFRS standards became effective on 1 January 2020 and have been applied in this report:

- Amendments to IAS 39/IFRS 9 (early adopted in 2019)
  - As part of the IBOR reform, the IASB has published a number of amendments to IAS 39 and IFRS 9 as part of a first phase of its project. The amendments provide temporary relief from adopting specific hedge accounting requirements for hedging relationships directly affected by this reform. For more information regarding the IBOR reform, we refer to the 2019 Annual Report, to the section 'How do we manage our risks?'.

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

- IFRS 17: no impact on KBC Bank
- Other:
  - The IASB published several limited amendments to existing IFRSs and IFRICs. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

Summary of significant accounting policies (note 1.2 in the annual accounts 2019)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2019.

Exchange rates used: during 1H 2020, the exchange rates of the CZK and HUF dropped significantly, with negative impact on the balance sheet total and on the result:

- CZK (1 EUR = …currency) : exchange rate used for balance sheet depreciated versus EUR from 25.408 at year-end 2019 to 26.740 at 30 June 2020; the average rate used for the income statement evolved from 25.704 in 1H 2019 to 26.334 in 1H 2020
- HUF (1 EUR = …currency) : exchange rate used for balance sheet depreciated versus EUR from 330.53 at year-end 2019 to 356.58 at 30 June 2020 ; the average rate used for the income statement evolved from 320.40 in 1H 2019 to 346.61 in 1H 2020

COVID-19 (note 1.4)

Introduction:

The growing public health crisis around the world has distressed financial markets amid concerns that the global economy, and the EU's economies in particular, are heading towards a sharp contraction in full year 2020. The coronavirus pandemic has triggered a chain of events in the markets that has led to a sharp increase in volatility.

The significant deterioration in the economic outlook has brought about an unprecedented monetary policy response from central banks and governments around the world.

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

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria	Ireland
Deferral of payments	• Opt-in: 3 months for consumer finance, 6-9 months for mortgages and non-retail loans, (maximum until 31 Oct 2020 and can be extended to 31 Dec 2020) • For private persons: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients • Interest is accrued over deferral period, with the exception of families with net income less than 1 700 euros. For the latter group, this results in a modification loss for the bank (-11 million euros in 1H 2020. Refer to note 3.10).	• Opt-in: 3 or 6 months • Applicable for retail and non-retail clients • For private persons and entrepreneurs: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients • Interest is accrued over the deferral period, but the interest has to be paid in the last instalment, resulting in a modification loss for the bank (-5 million euros in 1H. Refer to note 3.10) • For consumer loans, the interest during the deferral period cannot exceed 2-week repo rate + 8%	• Opt-in: 9 months or 6 months (for leases) • Applicable for retail customers, SMEs and entrepreneurs • Deferral of principal and interest payments • Interest is accrued over the deferral period, but the client has the option to pay all interests at once after the moratorium or pay on a linear basis. The latter option would result in an immaterial modification loss for the bank	• Opt-out: a blanket moratorium until 31 Dec 2020. • Applicable for retail and non-retail • Deferral of principal and interest payments • Interest is accrued over deferral period, but unpaid interest cannot be capitalised and must be collected on a linear way during the remaining (extended) lifetime. This results in a modification loss for the bank (-11 million euros in 1H 2020 based on the actual opt-out ratio. Refer to note 3.10)	• Opt-in: 6 months (maximum until 31 Mar 2021) • Applicable for retail and non- retail • Deferral of principal and interest payments • In case of principal deferral, the tenor is extended with 6 months • Interest is accrued over deferral period and is payable in 12 months (consumer and non-retail) or 60 months (mortgages) in equal instalments	• Opt-in: 3 to 6 months • Applicable for mortgage loans, consumer finance loans and business banking loans with repayment schedule • Deferral of principal and interest payments for up to 6 months (with revision after 3 months) for Mortgages & Consumer finance and 3 months for business banking • Option for customers to extend their loan term by up to 6 months to match payment break term • Interest is accrued over the deferral period
Guarantee scheme & Liquidity assistance	• A state guarantee scheme up to 40 billion euros to cover losses incurred on future non-retail loans granted before 30 Sep 2020 to viable companies, with a tenor of maximum 12 months. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses. Maximum interest is 1,25% • As of 3Q, a revised state guarantee scheme up to 10 billion euros has been offered to cover losses on future SME loans granted before 31 December 2020, with a tenor between 1 and 3 years. Guarantee covers 80% on all losses. Maximum interest is 2%	• The Czech-Moravian Guarantee and Development Bank (CZMRB) launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount (depending on the program and the size of the company). Interest on these loans is subsidised up to 25% (COVID II) • The Export Guarantee and Insurance Corporation (EGAP) under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees 70% to 80% of the loan amount, depending on the rating of the debtor. The program is aimed at companies for which exports accounted for more than 20% of turnover in 2019	• Anti-Corona Guarantee program offered by the Slovak Investment Holding (SIH), aiming at SMEs, consists of two components: (i) a 80% state guarantee with 50% portfolio cap and (ii) the interest rate subsidy reaching up to 4% p.a. • In addition, financial aid in the form of the state guarantee schemes with guarantee fee subsidy can be provided by (i) Export-Import Bank of SR guaranteed up to 80% and for loans < 2 million euros and (ii) Slovak Investment Holding for loans between 2 and 20 million euros, guaranteed up to 90%. No portfolio cap	• A guarantee scheme is provided by Garantiqa and the Hungarian Development Bank. These state guarantees can cover up to 90% of the loans with a maximum tenor of 6 years • Furthermore, the MNB has launched the Funding for growth scheme: A framework amount of 4,2 billion euros for SMEs that can receive loans with a 20 year tenor at maximum interest rate of 2,5% • Annual interest rate on personal loans granted by commercial banks may not exceed the central bank base rate by more than 5pp	• 0.4 billion euros of state guarantees provided by the Bulgarian Development Bank to commercial banks. From this amount, 0.1 billion euros is used to guarantee 100% on consumer loans while 0.3 billion euros is planned to be used to guarantee 80% on non-retail loans	• The Irish authorities put substantial relief measures in place, amongst others via the SBCI. KBCI is mainly focused on individual customers, therefore the relief programs for business customers are less relevant.

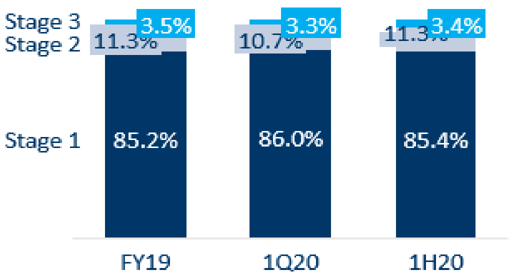
Main Corona related items affecting the 1H 2020 results and revaluation reserves:

1. Expected credit losses (ECL)

Our ECL models were not able to adequately reflect all the specificities of the Coronavirus (Covid-19 crisis) nor the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level has been performed to take into account the macroeconomic circumstances and the different government measures via a management overlay. In the first quarter, this exercise was performed for a certain number of (sub)sectors. The main reason for limiting the scope of the exercise was the significant uncertainty about how the virus would spread, the extent of the consequential lockdown measures and the government response to the economic instability. Over the last few months, the lockdowns have been gradually eased to a certain extent. Governments, most notably the EU, and central banks have announced measures to support the recovery. The significant uncertainty still exists, especially around the possibility and timing of resurgence of the virus or even a return in several waves, but the widespread extent of the economic crunch has become clearer. Therefore, in the approach applied for the second quarter, the scope of the management overlay has been expanded to include all sectors of our corporate and SME portfolio as well as our retail portfolio.

(in billions of EUR)	30-06-2020	31-03-2020	31-12-2019
Portfolio outstanding	**179**	**180**	**175**
Retail	41%	40%	42%
of which mortgages	38%	37%	38%
of which consumer finance	3%	3%	3%
SME	21%	21%	22%
Corporate	38%	39%	37%

Total loan portfolio by IFRS 9 ECL stage *



For the 30 June performing portfolio, a 3-step approach was applied to estimate the additional Covid-19 impact for the performing portfolio:

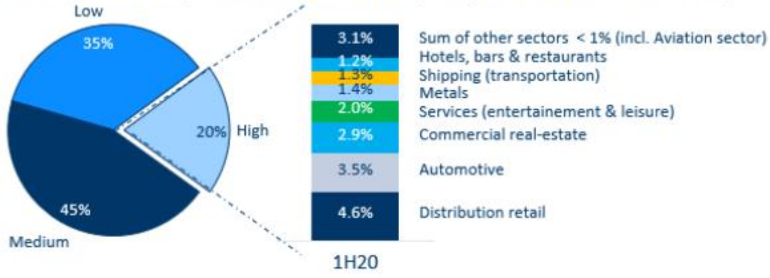
1) The methodology used for this purpose starts from the updated forecast of the KBC Group Chief Economist for end June 2020 (see paragraph Economic scenarios below for more details on these forecasts). The base scenario was translated into expert-based stress migration matrices, per country and per segment. The portfolio is transformed using these migration matrices, whereby a certain portion moved to inferior PD rating classes or default, a certain portion remained unchanged and a minor portion improved. After this transformation, the ECL is calculated again based on the new portfolio structure, including staging. The estimate of Covid-19 base-case ECL impact is the difference between the ECL calculated on the portfolio before and after applying the stressed migration matrices.

2) A sectoral effect is incorporated in the calculation to refine the Covid-19 ECL. The purpose of this step is to reflect the fact that some sectors will be more heavily affected than others, something which had not been included in the migration matrices. All exposures in the SME and Corporate portfolio were classified as high, medium or low risk based on the expected impact of the Covid-19 crisis on the sector affected (for Mortgages and Consumer finance, no sectoral stress was applied). Based on this classification, the following expert-based weights have been applied to the ECL impact: 150% for high risk sectors, 100% for medium risk sectors and 50% for low risk sectors. This resulted in a sector driven Covid-19 base-case ECL following the base-case scenario.

3) A probability weighted management overlay was calculated based on the base-case, optimistic and pessimistic scenarios and attributed weights determined by the KBC Group Chief Economist. To determine the collective Covid-19 impact under an optimistic and pessimistic scenario an expert-based scaling factor was applied on the estimated sector driven Covid-19 base-case ECL. The final overlay was determined by weighting the Covid-19 ECL under the three scenarios with the following weights: 45% for the base-case, 15% for the optimistic and 40% for the pessimistic scenario.

* This graph does not include the stage transfers embedded underlying in the forecasted collective Covid-19 ECL, which amount to a net staging of 5% of the total portfolio from stage 1 to stage 2 and of 1% from stage 1 & 2 to stage 3.

SME & Corporate loan portfolio of 106bn EUR split by Covid-19 sector sensitivity:



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

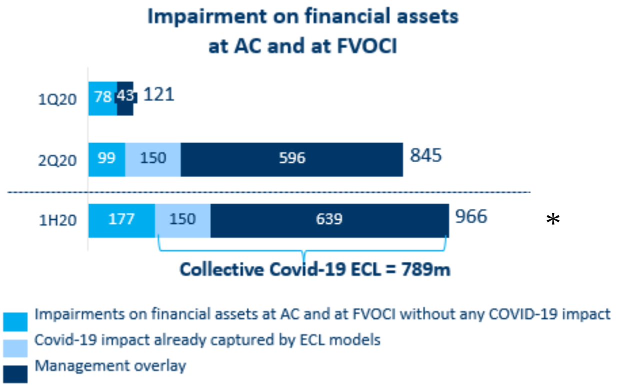
Sector-driven Covid-19 ECL (base-case):

KBC Group	Performing portfolio				
EUR m	*High risk sectors 150%*	*Medium risk sectors 100%*	*Low risk sectors 50%*	*Mortgages & other retail*	TOTAL
Base-case scenario	**175**	**244**	**68**	**124**	**611**
Optimistic scenario	146	200	52	86	484
Pessimistic scenario	248	337	96	189	870

Collective Covid-19 ECL per country:

	Performing portfolio				Non-Performing portfolio	Total 1H20	2Q20	1Q20
EUR m	*Optimistic 15%*	*Base 45%*	*Pessimistic 40%*	Probability weigthed				
KBC Group	**484**	**611**	**870**	**696**	**93**	**789**	**746**	**43**
By country:								
Belgium	285	355	478	393	20	413	378	35
Czech Republic	103	129	186	148	10	158	152	6
Slovakia	30	34	50	40	0	40	39	1
Hungary	37	48	69	55	0	55	54	1
Bulgaria	5	14	19	15	13	28	28	n/a
Ireland	24	32	68	45	50	95	95	n/a

The 3-step stress approach to the performing portfolio and the additional impact assessment on the non-performing portfolio resulted in a total collective Covid-19 ECL of 789 million euros (P&L charge in 1H20). In 2Q20, the ECL models captured roughly 150 million euros of this impact through the updated macroeconomic variables used in the calculation (36% in stage 1, 35% in stage 2 and 29% in stage 3). Hence, the total Covid-19 management overlay in the books per 30-06-2020 amounts to 639 million euros, of which 43 million euros was accounted for in 1Q 2020 and 596 million euros in 2Q 2020. As in 1Q 2020, the management overlay is fully presented as stage 2, with the exception of the management overlay on the existing non-performing portfolio.



* Figures relate to KBC Group; total impairment figure for KBC Bank is roughly 5 million euros lower, with that difference being for the largest part located in the 'Impairments on financial assets at AC and at FVOCI without any Covid-19 impact.

Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to 0.64%.

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

** No annualization of the Collective Covid-19 ECL*

Economic scenarios

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

OPTIMISTIC SCENARIO	**BASE SCENARIO**	PESSIMISTIC SCENARIO
Virus spread quickly and definitely brought under control permanently, with no further risk of future lockdowns, fast decline in number of cases	Virus spread and impact under control without additional extensive lockdown measures	Spread continues until vaccination becomes available, with partial or full lockdowns
Steep and steady recovery from 3Q20 onwards with a fast return to pre-Covid-19 activity levels	More moderate, but still steady recovery from 3Q20 onwards with a recovery to pre-Covid-19 activity levels by end 2023	Longer term stagnation and negative growth, with unsteady recovery path
Sharp, short V pattern	Pronounced V/U-pattern	More L-like pattern, with right leg only slowly increasing

Despite a gradual lifting of lockdown measures in many countries, there remains substantial uncertainty about the economic impact of the precautionary lockdown measures as well as about the policy reactions to mitigate the impact of the crisis. Because of this uncertainty, the KBC Group Chief Economist continues to work with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario. The definition of each scenario remains approximately the same as in the previous quarter, but we are assigning the following probabilities: 45% for the base-case scenario, 40% for the pessimistic and 15% for the optimistic scenario.
The following table (in line with the KBC Group Chief Economist's forecasts of June 2020) gives these scenarios for three key indicators (GDP growth, unemployment rate and house price index) for each of our core countries for the next three years. After that, we take into account a gradual linear transition towards a steady state.

Macroeconomic base scenario – key indicators (June 2020)	**2020**			**2021**			**2022**		
Scenario	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Real GDP growth									
Euro area	-6.0%	-9.6%	-14.0%	6.5%	6.2%	-3.2%	1.3%	1.2%	5.0%
Belgium	-5.0%	-9.5%	-13.2%	6.0%	5.7%	-3.2%	1.3%	1.3%	5.0%
Czech Republic	-5.0%	-10.0%	-15.0%	4.0%	6.0%	3.0%	2.5%	3.5%	2.7%
Hungary	-3.0%	-6.2%	-10.0%	4.0%	5.0%	4.0%	3.5%	3.5%	3.5%
Slovakia	-5.0%	-10.0%	-14.0%	4.5%	7.0%	1.5%	2.6%	4.5%	2.5%
Bulgaria	-4.0%	-8.0%	-12.0%	3.0%	5.0%	4.0%	3.0%	3.0%	3.0%
Ireland	-2.0%	-5.0%	-10.0%	2.0%	4.0%	1.0%	2.6%	3.5%	2.5%
Unemployment rate									
Belgium	5.9%	7.2%	10.0%	5.8%	7.6%	12.0%	5.6%	6.9%	9.5%
Czech Republic	3.1%	5.2%	7.0%	3.5%	5.7%	7.1%	3.0%	4.6%	7.6%
Hungary	4.8%	6.4%	9.0%	4.2%	5.6%	7.5%	4.0%	4.8%	5.9%
Slovakia	8.0%	9.0%	12.0%	9.2%	10.5%	13.0%	7.7%	8.0%	14.0%
Bulgaria	6.0%	8.0%	11.0%	4.1%	10.0%	13.0%	4.2%	7.0%	12.0%
Ireland	8.2%	11.0%	20.0%	6.1%	7.0%	16.0%	5.1%	6.0%	10.0%
House price index									
Belgium	-1.0%	-3.0%	-6.0%	0.0%	-2.0%	-4.0%	1.5%	1.0%	-1.0%
Czech Republic	0.0%	-2.0%	-4.0%	-0.8%	-3.5%	-6.0%	2.0%	2.0%	0.0%
Hungary	-1.0%	-5.0%	-7.5%	0.0%	-3.0%	-5.0%	2.5%	2.0%	1.0%
Slovakia	-1.0%	-5.0%	-7.0%	0.5%	-2.0%	-3.0%	2.0%	2.0%	1.0%
Bulgaria	0.5%	-2.0%	-4.0%	1.0%	-1.0%	-3.0%	3.0%	3.0%	0.0%
Ireland	-6.0%	-12.0%	-20.0%	5.0%	8.0%	-5.0%	4.0%	5.0%	3.0%

2. Net interest income:

   Net interest income was negatively impacted in 1H 2020 following multiple repo rate cuts by the Czech National Bank.

3. Net fee and commission income

   Net fee and commission income was negatively impacted by the coronavirus pandemic for asset management related fees (lower entry fees due to decreased sales and margins; lower management fees due to a lower average level of assets under management in combination with lower margins). Moreover, fees related to banking services also went down (payment services fees, for instance, went down as a result of a lower activity level due to the lockdown).

4. Financial instruments at fair value through P&L:

   Financial instruments at fair value through P&L have been negatively affected by the increased volatility in financial markets in 1H 2020, leading to a net result on financial instruments at fair value through P&L of -0.1 billion euros in 1H 2020. For more information: see note 3.3 further in this report.

5. Operating expenses

   To counter the negative impact of the coronavirus crisis, the bank initiated certain cost reduction measures, leading to, among other things, lower staff expenses (of which a decrease in accruals for variable remuneration, lower FTEs) and lower marketing, travel and facility costs.

6. Goodwill:

   We have performed an ad-hoc assessment of goodwill impairment indication. The outcome shows no indication of impairment.

   - For UBB and CMSS, the sensitivity analysis shows that structural decreases over the entire forecasting horizon in annual profit of respectively 17% and 12% or increases in annual impairment of respectively 89% and 180% would trigger a goodwill impairment. However, these sensitivities are considered to be too harsh to trigger an impairment in light of the recent situation.
   - For K&H and CSOB Bank in the Czech Republic, the impairment buffer is sufficiently large and we do not expect the short-term deviations to trigger an impairment.

7. Deferred tax:

   We have investigated whether it is probable that taxable profit will be available against which the deductible temporary differences can be utilised based on projections for a period of eight to ten years. The conclusion of this analysis is that there are sufficient estimated taxable profits available.

8. Revaluation reserves:

   The impact of Covid-19 on the financial markets is also reflected in a downward movement of the revaluation reserves in OCI in 1H 2020, more specifically on the translation differences. For more information, see text below the table 'Other Comprehensive income'.

9. Liquidity and funding

   KBC has maintained its strong liquidity position throughout the COVID-19 crisis. The Liquidity Coverage Ratio (LCR) of KBC Bank, which gives an idea of the bank's liquidity position in the short term, remained roughly stable in 1H 2020 and amounted to 136% at the end of June 2020 (compared to 138% at the end of December 2019). The Net Stable Funding Ratio (NSFR) of KBC Bank, which gives an idea of the bank's structural liquidity position in the long term, amounted to a high 142% at the end of June 2020 (compared to 136% at the end of December 2019).

10. Impact on the acquisition of OTP Banka Slovensko

    The approval process is still ongoing.

Notes on segment reporting

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

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

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	*Of which: Hungary*	*Slovakia*	*Bulgaria*	*Ireland*	Group Centre	Total
1H 2020									
Net interest income	1 081	573	430	*123*	*97*	*70*	*140*	- 23	2 061
Dividend income	12	0	0	*0*	*0*	*0*	*0*	0	12
Net result from financial instruments at fair value through profit or loss	- 23	- 35	8	*10*	*- 1*	*0*	*- 2*	- 34	- 84
Net realised result from debt instruments at fair value through OCI	0	1	2	*0*	*1*	*0*	*0*	0	2
Net fee and commission income	675	147	170	*107*	*35*	*29*	*- 1*	- 2	990
Net other income	33	12	8	*2*	*5*	*1*	*0*	0	53
TOTAL INCOME	1 779	698	617	*242*	*138*	*100*	*137*	- 59	3 035
Operating expenses	- 1 177	- 354	- 433	*- 160*	*- 101*	*- 65*	*- 106*	- 38	- 2 002
Impairment	- 582	- 184	- 235	*- 66*	*- 48*	*- 26*	*- 95*	9	- 991
on financial assets at amortised cost and at fair value through OCI	- 570	- 178	- 222	*- 54*	*- 48*	*- 26*	*- 95*	9	- 961
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
other	- 12	- 6	- 12	*- 12*	*0*	*0*	*0*	0	- 30
Share in results of associated companies and joint ventures	- 6	- 1	0	*0*	*0*	*0*	*0*	0	- 6
RESULT BEFORE TAX	14	159	- 50	*16*	*- 11*	*9*	*- 65*	- 88	35
Income tax expense	- 1	- 23	2	*- 7*	*2*	*- 1*	*8*	18	- 4
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	13	136	- 48	*9*	*- 8*	*8*	*- 56*	- 70	31
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
attributable to equity holders of the parent	13	136	- 48	*9*	*- 8*	*8*	*- 56*	- 70	31
1H 2019									
Net interest income	1 038	595	418	*122*	*99*	*67*	*130*	- 26	2 026
Dividend income	19	0	0	*0*	*0*	*0*	*0*	0	19
Net result from financial instruments at fair value through profit or loss	41	- 38	20	*18*	*- 2*	*8*	*- 4*	10	33
Net realised result from debt instruments at fair value through OCI	0	0	1	*0*	*1*	*0*	*0*	0	1
Net fee and commission income	685	162	177	*113*	*37*	*29*	*- 2*	2	1 026
Net other income	54	95	1	*2*	*3*	*0*	*- 4*	0	150
TOTAL INCOME	1 837	814	617	*254*	*139*	*104*	*121*	- 14	3 255
Operating expenses	- 1 206	- 353	- 443	*- 173*	*- 97*	*- 65*	*- 107*	- 36	- 2 036
Impairment	- 114	- 5	1	*3*	*- 11*	*- 3*	*12*	10	- 107
on financial assets at amortised cost and at fair value through OCI	- 112	- 2	2	*3*	*- 11*	*- 3*	*12*	10	- 102
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
other	- 2	- 2	0	*0*	*0*	*0*	*0*	0	- 4
Share in results of associated companies and joint ventures	- 2	9	0	*0*	*0*	*0*	*0*	0	6
RESULT BEFORE TAX	515	466	176	*85*	*30*	*35*	*26*	- 39	1 118
Income tax expense	- 124	- 64	- 28	*- 14*	*- 7*	*- 4*	*- 3*	51	- 166
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	0
RESULT AFTER TAX	391	401	148	*71*	*23*	*32*	*22*	12	953
attributable to minority interests	34	0	0	*0*	*0*	*0*	*0*	0	34
attributable to equity holders of the parent	358	401	148	*71*	*23*	*31*	*22*	12	919

Other notes

Net interest income (Note 3.1 in the annual accounts for 2019)

(in millions of EUR)	1H 2020	1H 2019
Total	**2 061**	**2 026**
Interest income	**3 152**	**3 392**
Interest income on financial instruments calculated using the effective interest rate method		
Financial assets at AC	2 508	2 636
Financial assets at FVOCI	50	46
Hedging derivatives	234	246
Financial liabilities (negative interest)	57	25
Other	6	7
Interest income on other financial instruments		
Financial assets MFVPL other than held for trading	5	3
Financial assets held for trading	292	428
Of which economic hedges	*270*	*415*
Other financial assets at FVPL	0	0
Interest expense	**-1 091**	**-1 366**
Interest expense on financial instruments calculated using the effective interest rate method		
Financial liabilities at AC	- 508	- 688
Hedging derivatives	- 329	- 325
Financial assets (negative interest)	- 19	- 48
Other	- 2	- 2
Interest expense on other financial instruments		
Financial liabilities held for trading	- 214	- 280
Of which economic hedges	*- 197*	*- 263*
Other financial liabilities at FVPL	- 19	- 20
Net interest expense relating to defined benefit plans	- 2	- 3

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

Net realised result from financial instruments at fair value through profit and loss (Note 3.3 in the annual accounts for 2019)

The result from financial instruments at fair value through profit or loss in 1H 2020 is 117 million euros lower compared to 1H 2019, for a large part explained by:

- Very negative market value adjustments in 1H 2020 compared to only slightly negative market value adjustments in 1H 2019, mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates, decreasing equity markets and increasing counterparty credit spreads and KBC funding spread in 1Q 2020. This was only partly recovered in 2Q 2020, with decreasing counterparty credit spreads and funding spreads, while further decrease of long-term interest rates is levelled out by increasing equity markets
- Very negative MTM ALM derivatives in 1H 2020 compared to slightly negative MTM ALM derivatives in 1H 2019

only partly compensated by:

- Higher dealing room income in the Czech Republic, partly offset by a lower dealing room income in Belgium.

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

(in millions of EUR)	1H 2020	1H 2019
Total	990	1 026
Fee and commission income	1 245	1 265
Fee and commission expense	- 255	- 240
Breakdown by type		
Asset Management Services	492	519
Fee and commission income	517	544
Fee and commission expense	- 25	- 25
Banking Services	451	454
Fee and commission income	612	615
Fee and commission expense	- 162	- 161
Distribution	47	53
Fee and commission income	116	106
Fee and commission expense	- 68	- 53

Net other income (Note 3.6 in the annual accounts for 2019)

(in millions of EUR)	1H 2020	1H 2019
Total	53	150
of which gains or losses on		
Sale of financial assets measured at amortised cost	10	3
Repurchase of financial liabilities measured at amortised cost	0	0
of which other, including:	43	147
Income from (mainly operational) leasing activities, KBC Lease Group	29	30
One-off effect revaluation of 55% share in CMSS	0	82
Settlement of legacy legal cases	0	6
Provisioning for tracker mortgage review	0	- 4

Note: in 1H 2019

- 82 million euros one-off gain in the 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
- ‘Settlement of legacy legal cases’: in the Czech Republic, 6 million euros.

Operating expenses (Note 3.8 in the annual accounts for 2019)

The operating expenses for 1H 2020 include 417 million euros related to bank levies (397 million euros in 1H 2019). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expenses of the first interim period of the year.

Impairments – income statement (Note 3.10 in the annual accounts for 2019)

(in millions of EUR)	1H 2020	1H 2019
Total	- 991	- 107
Impairment on financial assets at AC and at FVOCI	- 961	- 102
Of which impairment on financial assets at AC	- 961	- 103
By product		
Loans and advances	- 948	- 95
Debt securities	1	- 1
Off-balance-sheet commitments and financial guarantees	- 14	- 7
By type		
Stage 1 (12-month ECL)	- 59	- 17
Stage 2 (lifetime ECL)	- 663	- 4
Stage 3 (non-performing; lifetime ECL)	- 236	- 88
Purchased or originated credit impaired assets	- 3	6
Of which impairment on financial assets at FVOCI	0	0
Debt securities	0	0
Stage 1 (12-month ECL)	0	0
Stage 2 (lifetime ECL)	0	0
Stage 3 (non-performing; lifetime ECL)	0	0
Impairment on goodwill	0	0
Impairment on other	- 30	- 4
Intangible fixed assets (other than goodwill)	- 2	- 3
Property, plant and equipment (including investment property)	- 1	- 1
Associated companies and joint ventures	0	0
Other	- 27	0

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

The stage 3 impairments in 1H 2020 and 1H 2019 are attributable mainly to loan loss impairments in Belgium due to a number of corporate files.

The impairment on other (Other) include -27 million euros in 1H 2020 related to modification losses in Belgium, Czech Republic and Hungary. For more information, see note 1.4 of this report.

Financial assets and liabilities – breakdown by portfolio and products (Note 4.1 in the annual accounts for 2019)

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT	HFT	FVO	Hedging deriva-tives	Total
FINANCIAL ASSETS, 30-06-2020							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 752	0	0	0	0	0	**6 752**
of which repayable on demand and term loans to banks at not more than three months							**1 667**
Loans and advances to customers (excl. reverse repos)	155 361	0	286	0	0	0	**155 647**
Trade receivables	1 686	0	0	0	0	0	**1 686**
Consumer credit	5 300	0	181	0	0	0	**5 481**
Mortgage loans	66 668	0	96	0	0	0	**66 765**
Term loans	69 483	0	9	0	0	0	**69 491**
Finance lease	5 753	0	0	0	0	0	**5 753**
Current account advances	5 160	0	0	0	0	0	**5 160**
Other	1 310	0	0	0	0	0	**1 310**
Reverse repos	25 875	0	0	379	0	0	**26 254**
with credit institutions and investment firms	24 125	0	0	379	0	0	**24 504**
with customers	1 751	0	0	0	0	0	**1 751**
Equity instruments	0	188	7	426	0	0	**621**
Debt securities issued by	42 674	6 366	21	3 670	0	0	**52 731**
Public bodies	37 297	5 529	0	3 614	0	0	**46 440**
Credit institutions and investment firms	3 489	808	0	18	0	0	**4 315**
Corporates	1 888	30	21	38	0	0	**1 976**
Derivatives	0	0	0	5 900	0	210	**6 110**
Other	1 292	0	0	3	0	0	**1 296**
Total	231 955	6 554	314	10 379	0	210	**249 412**
FINANCIAL ASSETS, 31-12-2019							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 397	0	0	0	0	0	**5 397**
of which repayable on demand and term loans to banks at not more than three months							**467**
Loans and advances to customers (excl. reverse repos)	153 563	0	218	0	0	0	**153 781**
Trade receivables	1 884	0	0	0	0	0	**1 884**
Consumer credit	5 383	0	122	0	0	0	**5 505**
Mortgage loans	66 512	0	85	0	0	0	**66 597**
Term loans	67 888	0	10	0	0	0	**67 899**
Finance lease	5 926	0	0	0	0	0	**5 926**
Current account advances	4 986	0	0	0	0	0	**4 986**
Other	984	0	0	0	0	0	**984**
Reverse repos	26 393	0	0	0	0	0	**26 393**
with credit institutions and investment firms	25 445	0	0	0	0	0	**25 445**
with customers	948	0	0	0	0	0	**948**
Equity instruments	0	176	7	832	0	0	**1 015**
Debt securities issued by	38 239	5 714	28	1 264	0	0	**45 245**
Public bodies	33 236	4 851	0	1 148	0	0	**39 234**
Credit institutions and investment firms	3 238	805	0	20	0	0	**4 062**
Corporates	1 766	58	28	96	0	0	**1 948**
Derivatives	0	0	0	5 211	0	158	**5 370**
Other	1 025	0	0	0	0	0	**1 025**
Total	224 617	5 890	252	7 307	0	158	**238 226**

(in millions of EUR)	AC	HFT	FVO	Hedging deriva-tives	Total
FINANCIAL LIABILITIES, 30-06-2020					
Deposits from credit institutions and investment firms (excl. repos)	37 401	0	0	0	**37 401**
of which repayable on demand					**6 180**
Deposits from customers and debt securities (excl. repos)	210 596	183	2 035	0	**212 814**
Demand deposits	96 273	0	0	0	**96 273**
Time deposits	14 793	29	173	0	**14 995**
Savings accounts	71 964	0	0	0	**71 964**
Special deposits	2 478	0	0	0	**2 478**
Other deposits	280	0	0	0	**280**
Certificates of deposit	7 335	0	7	0	**7 342**
Savings certificates	690	0	0	0	**690**
Non-convertible bonds	8 500	154	1 701	0	**10 356**
Non-convertible subordinated liabilities	8 282	0	153	0	**8 435**
Repos	3 228	2	0	0	**3 230**
with credit institutions and investment firms	2 348	0	0	0	**2 348**
with customers	881	1	0	0	**882**
Derivatives	0	5 260	0	1 424	**6 683**
Short positions	0	1 007	0	0	**1 007**
In equity instruments	0	12	0	0	**12**
In debt securities	0	995	0	0	**995**
Other	2 884	0	0	0	**2 884**
Total	254 109	6 451	2 035	1 424	**264 018**
FINANCIAL LIABILITIES, 31-12-2019					
Deposits from credit institutions and investment firms (excl. repos)	18 731	0	0	0	**18 731**
of which repayable on demand					**4 669**
Deposits from customers and debt securities (excl. repos)	201 077	223	2 539	0	**203 839**
Demand deposits	85 947	0	0	0	**85 947**
Time deposits	15 751	39	184	0	**15 974**
Savings accounts	69 058	0	0	0	**69 058**
Special deposits	2 465	0	0	0	**2 465**
Other deposits	566	0	0	0	**566**
Certificates of deposit	10 638	0	8	0	**10 646**
Savings certificates	1 027	0	0	0	**1 027**
Non-convertible bonds	8 251	183	2 200	0	**10 635**
Non-convertible subordinated liabilities	7 374	0	147	0	**7 521**
Repos	2 566	0	0	0	**2 566**
with credit institutions and investment firms	2 262	0	0	0	**2 262**
with customers	304	0	0	0	**304**
Derivatives	-	5 073	0	1 170	**6 243**
Short positions	-	1 708	0	0	**1 708**
In equity instruments	-	14	0	0	**14**
In debt securities	-	1 693	0	0	**1 693**
Other	2 187	0	0	0	**2 187**
Total	224 560	7 004	2 539	1 170	**235 274**

'Deposits from credit institutions and investment firms (excl. repos)' include funding obtained from the ECB's TLTRO programme. In 2Q 2020, KBC participated in TLTRO III for an amount of 19.5 billion euros.

Impaired financial assets (Note 4.2.1 in the annual accounts for 2019)

(in millions of EUR)	30-06-2020 Carrying value before impairment	Impairment	Carrying value after impairment	31-12-2019 Carrying value before impairment	Impairment	Carrying value after impairment
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances (*)	191 656	- 3 668	187 988	188 207	- 2 854	185 353
Stage 1 (12-month ECL)	167 637	- 176	167 460	164 151	- 130	164 021
Stage 2 (lifetime ECL)	18 667	- 910	17 758	18 495	- 254	18 241
Stage 3 (lifetime ECL)	5 189	- 2 556	2 633	5 380	- 2 444	2 936
Purchased or originated credit impaired assets (POCI)	163	- 26	137	182	- 26	155
Debt Securities	42 685	- 11	42 674	38 251	- 12	38 239
Stage 1 (12-month ECL)	42 653	- 4	42 648	38 175	- 4	38 171
Stage 2 (lifetime ECL)	25	- 1	24	69	- 2	67
Stage 3 (lifetime ECL)	7	- 6	1	7	- 6	1
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	6 368	- 1	6 366	5 715	- 1	5 714
Stage 1 (12-month ECL)	6 365	- 1	6 364	5 715	- 1	5 714
Stage 2 (lifetime ECL)	3	0	2	0	0	0
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

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

The strong increase in impairments is mainly driven by collective Covid-19 ECL. The table does not include the stage transfers underlying in the forecasted collective management overlay, since they are expected to happen in the future. For more information see note 1.4 in this report.

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

(in millions of EUR) Fair value hierarchy	30-06-2020 Level 1	Level 2	Level 3	Total	31-12-2019 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)	16	0	297	314	22	0	231	252
Held for trading	2 710	6 569	1 100	10 379	1 680	4 428	1 200	7 307
FVO	0	0	0	0	0	0	0	0
At fair value through OCI	5 639	631	285	6 554	5 529	105	257	5 890
Hedging derivatives	0	210	0	210	0	158	0	158
Total	8 365	7 410	1 683	17 458	7 231	4 691	1 687	13 609
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 009	4 168	1 275	6 451	1 708	3 275	2 021	7 004
Designated at fair value	0	597	1 437	2 035	0	657	1 883	2 539
Hedging derivatives	0	1 424	0	1 424	0	1 170	0	1 170
Total	1 009	6 189	2 712	9 909	1 708	5 102	3 903	10 714

For more details on how KBC defines and determines fair value and the fair value hierarchy and level 3 valuations, please refer to Notes 4.4 up to and including 4.7 of the annual accounts 2019.

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (Note 4.6 in the annual accounts for 2019)

During 1H 2020, KBC transferred about 3 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 12 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

During 1H 2019, KBC Bank transferred 20 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 151 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 for 2019)

In 1H 2020, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets measured at fair value through profit and loss: the fair value of loans and advances increased by 67 million euros, mostly due to new transactions, partially compensated by translation effects.
- Financial assets held for trading: the fair value of derivatives decreased by 100 million euros, due primarily to changes in fair value and instruments that had reached maturity, partly offset by new transactions.
- Financial liabilities held for trading: the fair value of derivatives decreased by 717 million euros, mainly due to a combination of sales of existing positions, instruments that had reached maturity and changes in fair value, partially offset by new transactions.
- Financial liabilities designated at fair value: the fair value of debt securities issued decreased by 445 million euros, due to a combination of repurchases of existing positions, settlements, and translation effects, partially offset by new issues.

During 1H 2019, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:

- Financial assets held for trading: the fair value of derivatives increased by 254 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 73 million euros, mainly as a consequence of sales of existing positions.
- Financial liabilities held for trading: the fair value of derivatives increased by 365 million euros, due primarily to changes in fair value and new positions, partly offset by instruments that had reached maturity.
- Financial liabilities designated at fair value: the fair value of debt securities issues increased by 383 million euros, mainly due to new issues, followed by changes in fair value.

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

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

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

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

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

Parent shareholders' equity (Note 5.10 in the annual accounts for 2019)

Quantities	30-06-2020	31-12-2019
Ordinary shares	**995 371 469**	**995 371 469**
of which ordinary shares that entitle the holder to a dividend payment	*995 371 469*	*995 371 469*
of which treasury shares	*0*	*0*
Additional information		
Par value per share (in EUR)	9.78	9.78
Number of shares issued but not fully paid up	0	0

Related-party transactions (Note 6.3 in the annual accounts for 2019)

Transactions with related parties, excluding key management (in millions of EUR)	1H 2020 Parent entities with joint control	1H 2020 Subsidiaries and other entities of group	1H 2020 Associated companies	1H 2020 Joint ventures	1H 2020 Other	1H 2020 Total	2019 Parent entities with joint control	2019 Subsidiaries and other entities of group	2019 Associated companies	2019 Joint ventures	2019 Other	2019 Total
Assets	5	1 051	64	32	9	1 162	16	1 217	107	40	7	1 387
Loans and advances	0	516	0	0	9	526	7	800	38	1	0	846
Equity instruments (including investments in associated companies and joint ventures)	1	79	63	28	0	171	3	92	68	33	0	196
Other	4	456	1	4	0	466	7	326	1	6	7	345
Liabilities	9 568	1 255	14	0	347	11 184	7 493	796	93	0	365	8 748
Deposits	47	926	14	0	347	1 334	122	713	14	0	356	1 205
Other financial liabilities	9 471	265	0	0	0	9 736	7 341	17	0	0	0	7 357
Other	50	63	0	0	0	114	31	66	80	0	9	185
Income statement	- 405	- 47	- 1	0	- 1	- 455	- 808	- 52	- 2	0	- 5	- 867
Net interest income	- 37	- 98	0	0	1	- 135	- 83	- 152	- 1	0	0	- 236
Interest income	2	0	0	0	1	3	2	0	1	0	0	3
Interest expense	- 39	- 99	0	0	0	- 137	- 85	- 152	- 1	0	0	- 239
Dividend income	0	0	0	0	0	1	0	0	1	0	0	1
Net fee and commission income	0	45	0	0	0	45	0	85	0	0	2	87
Fee and commission income	0	93	0	0	0	93	1	189	0	0	2	192
Fee and commission expense	0	- 48	0	0	0	- 48	- 1	- 103	- 2	0	0	- 105
Net other income	0	- 7	0	0	- 2	- 9	0	- 17	- 1	0	- 5	- 23
General administrative expenses	- 368	13	- 1	0	- 1	- 357	- 724	32	- 2	0	- 2	- 697
Undrawn portion of loan commitments, financial guarantees and other commitments												
Given by the group	0	4 083	0	1	74	4 158	0	5 122	0	0	74	5 197
Received by the group	0	0	0	0	0	0	0	0	0	0	0	0

Main changes in the scope of consolidation (Note 6.6 in the annual accounts for 2019)

<u>In 1H 2020:</u>

- No material changes.

<u>In 2019 :</u>

- On 31 May 2019, ČSOB has acquired the remaining 45% stake in ČMSS from Bausparkasse Schwäbisch Hall for a total consideration of 240 million euros. As a result, ČMSS is as of 1 June 2019 fully consolidated (previously equity method).
- In April 2019, the 48,14% minority part in KBC Asset Management (KBC AM), which used to be held by KBC Group, has been transferred to KBC Bank, KBC Bank now holds 100% of KBC AM. This had no impact on most components of the P/L, since KBC Bank already held a controlling interest in KBC AM and the latter has consequently been fully consolidated. The only impact was on the P/L lines ‘profit attributable to the equity holders of the parent’ and ‘profit attributable to minorities’, where no minorities are calculated anymore as of 2Q 2019.

Post balance sheet events (Note 6.8 in the annual accounts for 2019)

Significant non-adjusting events between the balance sheet date (30 June 2020) and the publication of this report (20 August 2020):

- None

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC BANK NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020 AND FOR THE SIX-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Bank NV and its subsidiaries (collectively referred to as “the Group”) as at 30 June 2020 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the six-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the “Interim Condensed Consolidated Financial Statements”.

These statements show a consolidated balance sheet total of EUR 281.789 million and a consolidated profit (attributable to equity holders of the parent) for the six-month period then ended of EUR 31 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, 18 August 2020

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Roland Jeanquart
Accredited auditor

Gregory Joos
Accredited auditor

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Other information

KBC Bank, 1H2020

Not reviewed by the statutory auditor

Overview of the loan portfolio

The main source of credit risk is the loan portfolio. A snapshot of this portfolio is shown in the table below. It includes all payment credit, guarantee credit, standby credit granted by KBC Bank 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.

Credit risk: loan portfolio overview	30-06-2020	31-12-2019
Total loan portfolio (in billions of EUR)		
Amount outstanding+undrawn[1]	221	218
Amount outstanding[1]	179	175
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	64%
Czech Republic	17%	18%
International Markets	16%	16%
Group Centre	2%	2%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	6 024	6 160
of which: more than 90 days past due	3 463	3 401
Ratio of impaired loans, per business unit		
Belgium	2.4%	2.4%
Czech Republic	2.2%	2.3%
International Markets	7.8%	8.5%
Group Centre	11.8%	12.4%
Total	3.4%	3.5%
of which: more than 90 days past due	1.9%	1.9%
Loan loss impairments (in millions of EUR) and cover ratio (%)		
Stage 1 loan loss impairments	200	144
Stage 2 loan loss impairments	921	265
Stage 3 loan loss impairments	2 696	2 584
of which: more than 90 days past due	2 163	2 050
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	45%	42%
of which: more than 90 days past due	62%	60%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	52%	50%
of which: more than 90 days past due	72%	72%
Credit cost, by business unit (%)		
Belgium	0.63%	0.22%
Czech Republic	0.62%	0.04%
International Markets	0.82%	-0.07%
Slovakia	0.66%	0.14%
Hungary	0.96%	-0.02%
Bulgaria	0.66%	0.14%
Ireland	0.94%	-0.32%
Group Centre	-0.53%	-0.88%
Total	0.64%	0.12%

1 Outstanding amounts include all on-balance sheet commitments and off-balance sheet guarantees but exclude off-balance sheet undrawn commitments. The amounts are measured in Gross Carrying Amounts.

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2019 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by the European Banking Authority (EBA).

More details on the loan portfolio are available in KBC Group's 2Q2020 quarterly report, on www.kbc.com.

Solvency

KBC Bank consolidated - CRDIV/CRR In millions of EUR	30-06-2020 Fully loaded	30-06-2020 Transitional	31-12-2019 Fully loaded
Total regulatory capital, after profit appropriation	16 200	16 227	16 660
Tier-1 capital	14 393	14 420	14 704
Of which Common equity	*12 893*	*12 920*	*13 204*
Tier-2 capital	1 807	1 807	1 957
Total weighted risks	91 086	91 108	89 838
Solvency ratios			
Common equity ratio	14.2%	14.2%	14.7%
Tier-1 ratio	15.8%	15.8%	16.4%
Total capital ratio	17.8%	17.8%	18.5%

In line with the ECB recommendation we apply the IFRS 9 transitional measures as of 1H 2020. The impact of the transitional approach is limited to 3 basis points at the end of 1H 2020 as there is no profit inclusion in the solvency calculation on 30-06-2020.

Details of ratios and terms

Common equity ratio

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

A detailed calculation can be found under 'Solvency'.

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	1H2020	FY2019	1H2019
Operating expenses (A)	'Consolidated income statement': 'Operating expenses'	2 002	3 797	2 036
/				
Total income (B)	'Consolidated income statement': 'Total income'	3 035	6 548	3 255
= (A) / (B)		66%	58%	63%

Where relevant, we also estimate the exceptional and/or non-operating items to calculate a cost/income ratio adjusted for these items. The adjustments include: MTM ALM derivatives (excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all interim periods of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items (excluded). The cost/Income ratio adjusted for specific items is 59% in 1H2020, 58% in FY2019 and 59% in 1H2019.

Coverage ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges.

Calculation (in millions of EUR or %)	Reference	30-06-2020	31-12-2019	30-06-2019
Specific impairment on loans (A)	'Overview of the loan portfolio' in the 'Other information' section	2 696	2 584	2 714
/				
Outstanding impaired loans (B)	'Overview of the loan portfolio' in the 'Other information' section	6 024	6 160	6 437
= (A) / (B)		45%	42%	42%

Additionally, we also calculate a coverage ratio where the numerator and denominator in the formula are limited to impaired loans that are more than 90 days past due.

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	1H2020	FY2019	1H2019
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	961	204	102
/				
Average outstanding loan portfolio (B)	'Overview of the loan portfolio' in the 'Other information' section	177 398	170 128	168 800
= (A; annualised*) / (B)		0.64%	0.12%	0.12%

* The collective impairments booked in relation to the coronavirus crisis were fully booked in the first half of 2020 and are hence not annualized to calculate the credit cost ratio. For information: excluding these collective impairments, the ratio for 1H2020 would amount to 0.20%.

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 new definition of 'non-performing' used by the EBA. Additionally, we also calculate an impaired loans ratio where the numerator is limited to impaired loans that are more than 90 days past due (PD 11 + PD 12).

Calculation (in millions of EUR or %)	Reference	30-06-2020	31-12-2019	30-06-2019
Amount outstanding of impaired loans (A)	'Overview of the loan portfolio' in the 'Other information' section	6 024	6 160	6 437
/				
Total outstanding loan portfolio (B)	'Overview of the loan portfolio' in the 'Other information' section	179 366	175 431	172 776
= (A) / (B)		3.4%	3.5%	3.7%

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	30-06-2020	31-12-2019	30-06-2019
Regulatory available tier-1 capital (A)	'Solvency' table in the 'Other information' section	14 393	14 704	13 743
/				
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Based on the Capital Requirements Regulation (CRR)	297 210	269 707	268 835
= (A) / (B)		4.8%*	5.5%	5.1%

* Fully loaded (figure including transitional measures is 4.9%).

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	30-06-2020	31-12-2019	30-06-2019
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR and the European Banking Authority's guidelines for LCR disclosure	74 512	74 884	78 050
/				
Total net cash outflows over the next 30 calendar days (B)		54 705	54 415	55 800
= (A) / (B)		136%	138%	140%

Loan portfolio

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

Calculation (in millions of EUR)	Reference	30-06-2020	31-12-2019	30-06-2019
Loans and advances to customers	Note 4.1, 'Loans and advances to customers'	155 647	153 781	151 946
+				
Reverse repos excl. central banks	Note 4.1, component of 'reverse repos with credit institutions and investment firms'	3 949	2 356	2 378
+				
Debt instruments issued by corporations and by credit institutions and investment firms	Note 4.1, component of 'debt instruments issued by corporates and by credit institutions and investment firms'	6 235	5 894	5 563
+				
Exposure on credit institutions	-	4 808	4 629	4 670
+				
Financial guarantees granted to clients	Note 6.1, component of 'Financial guarantees given' in the annual report 2019	7 847	8 167	8 072
+				
Impairment on loans	Note 4.2, component of 'Impairment' in the annual report 2019	3 680	2 866	3 047
+				
Non-loan related receivables	-	-1 310	-984	-835
+				
Other	Component of Note 4.1	-1 489	-1 279	-2 064
= sum (gross carrying amount)		179 366	175 431	172 776

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1H2020	FY2019	1H2019
Net interest income (A)	'Consolidated income statement': component of 'Net interest income'	1 917	3 853	1 889
/				
Average interest-bearing assets (B)	'Consolidated balance sheet': component of 'Assets'	201 557	194 731	191 578
= (A; annualised (x360/number of calendar days in period)) / (B)		1.89%	1.95%	1.96%

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 bank is able to overcome liquidity difficulties over a one-year period.

Calculation (in millions of EUR or %)	Reference	30-06-2020	31-12-2019	30-06-2019
Available amount of stable funding (A)	Basel III: 'the net stable funding ratio' (Basel Committee on Banking Supervision publication, October 2014)	203 437	174 977	174 250
/				
Required amount of stable funding (B)		143 056	128 845	130 850
= (A) / (B)		142%	136%	133%

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 the 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)	Reference	30-06-2020	31-12-2019	30-06-2019
Belgium Business Unit (A)	KBC Group company presentation on www.kbc.com	185.3	199.9	194.6
+				
Czech Republic Business Unit (B)		10.8	10.8	10.6
+				
International Markets Business Unit (C)		5.4	4.9	4.7
(A)+(B)+(C)		201.6	215.6	209.8
