KBC GROUP

QUARTERLY REPORT 1Q2020

KBC GROUP
Report for 1Q2020

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Consolidated financial statements

Additional information

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

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

First-quarter result of -5 million euros

KBC Group – overview (consolidated, IFRS)	1Q2020	4Q2019	1Q2019
Net result (in millions of EUR)	-5	702	430
Basic earnings per share (in EUR)	-0.04	1.66	0.98
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	*-86*	*412*	*176*
Czech Republic	*88*	*205*	*177*
International Markets	*35*	*119*	*70*
Group Centre	*-43*	*-33*	*7*
Parent shareholders' equity per share (in EUR, end of period)	43.8	45.3	43.1

In the quarter under review, we were confronted with the outbreak and spread of the coronavirus, the long-term impact of which on the economy remains quite uncertain at this moment in time. As an employer and service provider, we reacted quickly to try to safeguard the health of our staff and clients, while ensuring that services continue to be provided. As many staff as possible are working from home and we are providing our clients with advice through a wide range of phone and digital channels. We have been working hard with government agencies of our core countries to support all customers impacted by coronavirus by processing loan deferral requests promptly, and efficiently instituting other relief measures. We are clearly benefiting from the efforts and investments we have made over the past few years on the digital transformation front. These efforts and investments, along with the expertise and motivation of our employees in all our home countries and the strength of our multichannel distribution network, allow us to provide our customers with a level of service that is very close to pre-coronavirus crisis levels.

As regards our financial results, we incurred a net loss of 5 million euros in the first quarter of 2020, caused mainly by the impact of the worldwide coronavirus outbreak on our trading and fair value result and the upfront booking of bank taxes.
In the quarter under review, our trading and fair value result came to a negative 0.4 billion euros, as a result of a number of market-driven factors, such as sharply lower stock markets, widening credit spreads and lower long-term interest rates.
The impact of the coronavirus crisis on the other profit and loss lines in the quarter under review was less pronounced. Compared to the year-earlier quarter, our core income lines, i.e. net interest income, net fee & commission income and the technical insurance result, performed quite well. Costs were kept well under control, too. They decreased slightly year-on-year after excluding the impact of the consolidation of ČMSS, bank taxes (the bulk of the full-year amount of these taxes is usually recorded in the first quarter) and some one-off items. Loan loss provisions increased in the quarter under review and included an additional 43 million euros specifically related to the coronavirus crisis, based on our exposure to sectors we believe will be affected most by the crisis. For full-year 2020, we estimate impairments to amount to roughly 1.1 billion euros (base scenario).
Generally speaking, volumes held up well year-on-year: on a comparable scope basis, loans and advances increased by 6%, deposits by 5% and earned non-life insurance premiums by 7%. On the other hand, sales of life insurance products fell by 17% year-on-year.
Our solvency position remained very strong, with a common equity ratio of 16.3% on a fully loaded basis, well above the current minimum capital requirement of 8.05%. This minimum requirement takes into account the various announced ECB and National Banks' measures which have provided significant temporary relief on the minimum capital requirements. Our liquidity position remained solid too, with an LCR of 135% and an NSFR of 134% at the end of March 2020. We are especially pleased that the hard work in recent years has paid off in making our group strong and healthy. As a result, our current capital and liquidity buffers allow us to face today's challenges with confidence.

Ultimately, our goal remains the same: to ensure that our customers are at the centre of everything we do, something which our employees are committed to in their day-to-day work. I wish to express my utmost appreciation to all colleagues who have expended huge efforts to serve our customers and support the sound functioning of the group from home offices and other remote locations. In closing, I would also like to take this opportunity to explicitly thank all those stakeholders who have – in these challenging times - continued to put their trust in us.

Johan Thijs, Chief Executive Officer

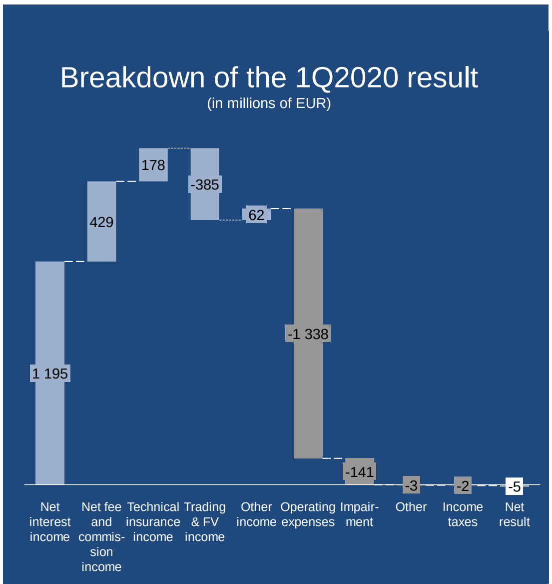
The cornerstones of our strategy

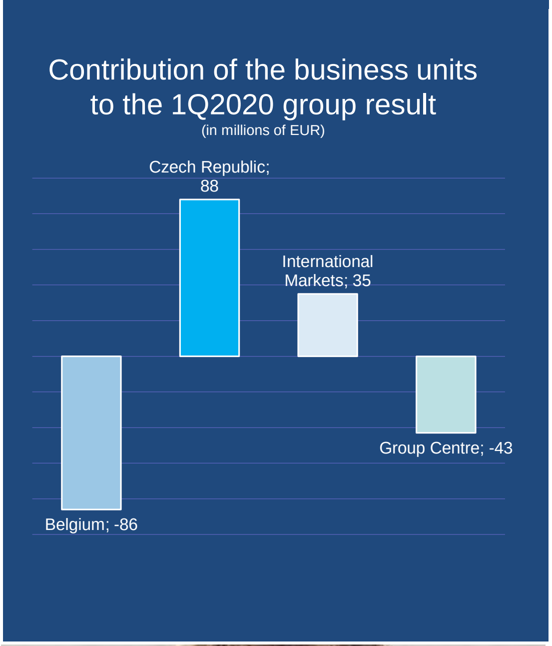
Our strategy rests on four principles:

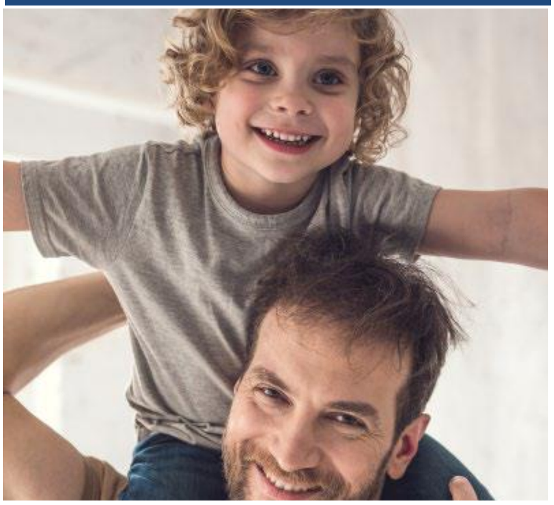
- We place our customers at the centre of everything we do
- We look to offer our customers a unique bank-insurance experience
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth
- We meet our responsibility to society and local economies

Financial highlights in the first quarter of 2020

- Sharply lower stock markets, widening credit spreads and lower long-term interest rates as a consequence of the coronavirus pandemic had a considerable negative impact on our net result from financial instruments at fair value through P&L (trading and fair value income), which fell from 130 million euros and 99 million euros in the previous and year-earlier quarters, respectively, to -385 million in the quarter under review.
- The impact of the coronavirus crisis on the other profit and loss lines (see below) was less pronounced in the quarter under review.
- Net interest income increased by 1% quarter-on-quarter and by 6% year-on-year. The year-on-year increase was – in addition to a number of one-off items – due to factors such as loan volume growth, the positive impact of ECB tiering, the full consolidation of ČMSS since June 2019, and earlier rate hikes in the Czech Republic. On the other hand, it continued to suffer from low reinvestment yields in our euro-area core countries and from ongoing pressure on loan portfolio margins (despite a recovery of the margin on new mortgage and SME loan production in Belgium). Loan volumes were up 3% quarter-on-quarter and 6% year-on-year, with growth recorded in all business units. Deposits including debt certificates grew by 4% quarter-on-quarter and 5% year-on-year. The growth figures were calculated on a comparable scope basis.
- Technical income from our non-life insurance activities (premiums less charges, plus the ceded reinsurance result) was up 12% on its level in the year-earlier quarter, due mainly to an increase in earned premium income (+7%). The combined ratio for the first quarter of 2020 amounted to an excellent 90%. Sales of our life insurance products were down 9% and 17% on their respective levels in the previous and year-earlier quarters.
- Net fee and commission income was 4% lower than the figure recorded in the previous quarter (related in part to the decrease in average assets under management and to lower fees relating to banking services). Net fee and commission income was up 5% on the year-earlier quarter (due to increased asset-management-related fees and higher banking-services-related fees, including the ČMSS impact).
- Costs excluding bank taxes – the bulk of which is paid in the first quarter – were down 6% on the figure recorded in the previous quarter and up 2% year-on-year, with the year-on-year increase largely accounted for by the ČMSS impact. When certain non-operating items are excluded and the bank taxes spread evenly throughout the year, the cost/income ratio amounted to 69%, up on the 58% recorded for full-year 2019, as it was impacted by the drop in total income (in 'trading and fair value income') in the quarter under review.
- The quarter under review included a 121-million-euro loan loss impairment charge, compared to the 75-million-euro charge in the previous quarter and 67 million euros in the year-earlier quarter. The figure for the quarter under review included 43 million euros specifically related to the coronavirus crisis, based on our exposure to sectors we believe will be affected most by the crisis. This caused the credit cost ratio to increase to 0.27% in the first quarter of 2020, compared to 0.12% for full-year 2019. Impaired loans accounted for 3.3% of the loan portfolio at the end of the quarter, compared to 3.5% three months earlier.
- Our liquidity position remained strong with an LCR of 135% and NSFR of 134%, as did our capital base, with a fully loaded common equity ratio of 16.3%.







Overview of results and balance sheet

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q2020	4Q2019	3Q2019	2Q2019	1Q2019
Net interest income	1 195	1 182	1 174	1 132	1 129
Non-life insurance (before reinsurance)	185	229	192	174	161
Earned premiums	*443*	*441*	*440*	*425*	*415*
Technical charges	*-258*	*-212*	*-248*	*-251*	*-254*
Life insurance (before reinsurance)	0	2	-5	1	-3
Earned premiums	*297*	*364*	*291*	*317*	*351*
Technical charges	*-297*	*-363*	*-297*	*-316*	*-354*
Ceded reinsurance result	-7	-11	-9	1	-7
Dividend income	12	17	14	39	12
Net result from financial instruments at fair value through P&L[1]	-385	130	-46	-2	99
Net realised result from debt instruments at fair value through other comprehensive income	0	0	5	0	2
Net fee and commission income	429	445	444	435	410
Net other income	50	47	43	133	59
Total income	1 479	2 041	1 813	1 913	1 862
Operating expenses	-1 338	-1 045	-975	-988	-1 296
Impairment	-141	-82	-26	-40	-69
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[2]	*-121*	*-75*	*-25*	*-36*	*-67*
Share in results of associated companies & joint ventures	-3	-1	0	4	5
Result before tax	-3	912	812	889	503
Income tax expense	-2	-210	-200	-144	-73
Result after tax	-5	702	612	745	430
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-5**	**702**	**612**	**745**	**430**
Basic earnings per share (EUR)	-0.04	1.66	1.44	1.76	0.98
Diluted earnings per share (EUR)	-0.04	1.66	1.44	1.76	0.98

Key consolidated balance sheet figures KBC Group (in millions of EUR)	31-03-2020	31-12-2019	30-09-2019	30-06-2019	31-03-2019
Total assets	301 451	290 735	294 830	289 548	292 332
Loans and advances to customers, excl. reverse repos	158 364	155 816	154 863	154 169	148 517
Securities (equity and debt instruments)	67 176	65 633	65 122	63 746	63 706
Deposits from customers & debt certificates, excl. repos	208 293	203 369	205 270	199 138	197 987
Technical provisions, before reinsurance	18 816	18 560	18 549	18 652	18 589
Liabilities under investment contracts, insurance	11 979	13 610	13 456	13 381	13 334
Parent shareholders' equity	18 220	18 865	18 086	17 799	17 924

Selected ratios KBC group (consolidated)	1Q2020	FY2019
Return on equity	-0.4%[3]	14%
Cost/income ratio, banking	91%	58%
(when excluding certain non-operating items and spreading bank taxes evenly throughout the year)	(69%)	(58%)
Combined ratio, non-life insurance	90%	90%
Common equity ratio, Basel III Danish Compromise (fully loaded)	16.3%	17.1%
Common equity ratio, FICOD (fully loaded)	15.3%	15.8%
Leverage ratio, Basel III (fully loaded)	6.5%	6.8%
Credit cost ratio	0.27%	0.12%
Impaired loans ratio	3.3%	3.5%
for loans more than 90 days past due	1.9%	1.9%
Net stable funding ratio (NSFR)	134%	136%
Liquidity coverage ratio (LCR)	135%	138%

1 Also referred to as 'Trading and fair value income'.
2 Also referred to as 'Loan loss impairment'.
3 4% when bank taxes are spread evenly throughout the year.

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

Analysis of the quarter (1Q2020)

Total income 1 479 million euros	Total income decreased by 28% quarter-on-quarter, due almost entirely to a very steep decline in trading and fair value income caused by the coronavirus-induced financial market turmoil. All other income items combined fell slightly quarter-on-quarter, with the decrease in technical insurance income and in net fee and commission income being partly offset by higher net interest income.

The drop in total income in the quarter under review was mostly accounted for by a significant decline in the **net result from financial instruments at fair value** (trading and fair value income), which went from a positive 130 million euros and 99 million euros in the previous and year-earlier quarters, respectively, to a negative 385 million euros in the first quarter of 2020, due essentially to the impact of the coronavirus (Covid-19) crisis. As this crisis impacted markets worldwide (anticipating a severe recession in 2020), it caused stock markets to tumble, credit spreads to widen and long-term interest rates to fall, among other effects. Consequently, impairments on shares at the insurance company increased notably, significant negative (mainly counterparty and funding) value adjustments were recorded, the value of derivatives used for asset/liability management purposes became negative and our dealing room result fell. The combined effect of these factors led to the negative 385 million euros in this income line.

In the quarter under review, the impact of the coronavirus crisis on **other income items** (see below) was less pronounced.

Net interest income amounted to 1 195 million euros in the quarter under review, up 1% on the figure recorded in the previous quarter and by as much as 6% year-on-year. Net interest income continued to benefit from the positive effect of loan volume growth, lower funding costs (quarter-on-quarter), the positive impact of ECB tiering, the full consolidation of ČMSS since June 2019 (therefore, not included in the first quarter of 2019 – referred to as the 'ČMSS impact'), the higher netted positive impact of ALM FX swaps, the effect of earlier rate hikes in the Czech Republic, as well as a few one-off items. These items were partly offset by a number of factors, including pressure on loan portfolio margins (despite a recovery of the margin on a large part of the new loan production in Belgium), the lower number of days in the period under review (quarter-on-quarter) and the negative effect of lower reinvestment yields in our core countries in the euro area.

The total volume of customer lending (158 billion euros) increased by 3% quarter-on-quarter and by as much as 8% year-on-year (excluding the forex impact). On a comparable scope basis, i.e. excluding the ČMSS impact and some smaller changes in the scope of consolidation, the year-on-year increase amounted to 6%, with growth recorded in all business units. Customer deposits including debt certificates (208 billion euros) were up 4% quarter-on-quarter and 7% year-on-year (excluding the forex impact). On a comparable basis, the year-on-year increase was 5%, again with growth in all business units. The net interest margin amounted to 1.97% for the quarter under review, 3 basis points up on the figures recorded in the previous quarter and 1 basis point down on the level recorded in the year-earlier quarter.

Technical income from our **non-life insurance activities** (earned premiums less technical charges, plus the ceded reinsurance result) contributed 173 million euros to total income, down 21% quarter-on-quarter, but up 12% on the corresponding year-earlier quarter. The quarter-on-quarter decrease was caused primarily by the storm impact in Belgium in the quarter under review. The year-on-year increase was due mainly to higher earned premiums (+7%), while technical charges rose only slightly (by 2%; note that the first quarter of 2019 had been impacted by storms too). Overall, the combined ratio for the first quarter of 2020 came to an excellent 90%, in line with the figure recorded for full-year 2019 and an improvement on the 93% recorded in the first quarter of 2019.

Technical income from our **life insurance activities** amounted to 4 million euros, compared to 1 million euros in the previous quarter and -3 million euros in the year-earlier quarter. Sales of life insurance products in the quarter under review (427 million euros) were down 9% on the level recorded in the previous quarter (which had benefited from traditionally high volumes of tax-incentivised pension savings products in the last quarter of the year). They were down 17% on the year-earlier quarter, due to lower sales of guaranteed-interest products (due to the suspension of the sale of universal single life insurance products in Belgium) and lower sales of unit-linked products in Belgium and the Czech Republic. Overall, the share of guaranteed-interest products in our total life insurance sales amounted to 58% in the quarter under review, with unit-linked products accounting for the remaining 42%.

In the quarter under review, **net fee and commission income** amounted to 429 million euros. Compared to the previous quarter, this represented a drop of 4% caused by a combination of lower fees from our asset management services (due in part to the decrease in assets under management – see below) and lower fees from our banking services (the decrease in payment-services fees and loan-related fees not fully compensated by the increase in fees from securities transactions), partly offset by the lower level of paid distribution fees. Compared to the first quarter of 2019, net fee and commission income rose by 5%, thanks to both higher asset management-related fees and banking-services-related fees, with the latter being helped by the ČMSS impact. At the end of March 2020, our total assets under management amounted to 193 billion euros, down 11% quarter-on-quarter and 8% year-on-year. In both cases, this was accounted for primarily by the negative impact of falling asset prices triggered by the financial market turmoil in March following the outbreak of the coronavirus pandemic (-10% quarter-on-quarter and -5% year-on-year) and – to a lesser extent – by net outflows (-1% quarter-on-quarter and -3% year-on-year). It should be noted that the mutual fund business witnessed net inflows in the quarter under review (+0.6 billion euros), but these were offset by net outflows in investment advice and group assets.

The **other remaining income items** included dividend income of 12 million euros, as well as 50 million euros in net other income (in line with the normal run rate for this item).

Operating expenses

1 338 million euros

Excluding bank taxes, operating expenses in the first quarter were down 6% compared to the previous quarter. The cost/income ratio amounted to 91%, or 69% excluding certain non-operating items and when bank taxes are spread evenly through the year.

Operating expenses in the first quarter of 2020 amounted to 1 338 million euros and, as usual, included the bulk of the bank taxes for the full year (407 million euros in the quarter under review, compared to 51 million euros in the previous quarter and 382 million euros in the year-earlier quarter). Excluding these taxes, expenses decreased by 6% quarter-on-quarter, thanks in part to seasonally lower marketing costs & professional fees and lower staff expenses. Year-on-year, expenses excluding bank taxes increased by 2%, due mainly to the ČMSS impact and a number of other factors such as wage drift (partly offset by a decrease in FTEs), higher depreciation, as well as a number of one-off items. Excluding the ČMSS impact and some one-off items, expenses excluding bank taxes were slightly down year-on-year.

The cost/income ratio of our banking activities came to 91%, but was distorted by most of the bank taxes being recorded in the first quarter. Excluding certain non-operating items and spreading bank taxes evenly throughout the year, the ratio was 69%, compared to 58% for full year 2019. The worsening of the ratio is clearly related to the fall in total income due to the hit taken by trading and fair value income.

Loan loss impairment

121-million-euro charge

We recorded a net loan loss impairment charge of 121 million euros, up on the 75 million euros recorded in the previous quarter. The annualised credit cost ratio amounted to 0.27% for the first quarter of the year. The current quarter included 43 million euros related to the impact of the coronavirus pandemic in the quarter under review (as a *management overlay,* in accordance with IFRS 9).

In the first quarter of 2020, we recorded a 121-million-euro net loan loss impairment charge, compared with a net charge of 75 million euros in the previous quarter and 67 million euros in the first quarter of 2019. A large part of the loan loss provisions for the quarter under review was related to a number of corporate loans in Belgium, as was the case in previous quarters. The quarter's figure also included 43 million euros specifically related to the coronavirus crisis (based on our exposure to a number of economic sectors which we believe will be affected most by the crisis; a detailed calculation and background information can be found in Note 1.4 of the 'Consolidated financial statements' section of the quarterly report).

Broken down by country, loan loss impairment charges in the first quarter of 2020 came to 116 million euros in Belgium, 8 million euros in the Czech Republic, 6 million euros in Slovakia and 3 million euros in Bulgaria, while there were net impairment releases of 2 million euros in Hungary, 1 million euros in Ireland and 9 million euros in the Group Centre. For the entire group, the annualised credit cost ratio increased to 0.27% for the quarter under review (0.17% excluding the amount recorded for the coronavirus pandemic), up from 0.12% for full year 2019.

The impaired loans ratio has improved slightly since the start of the year. At the end of March 2020, some 3.3% of our total loan book was classified as impaired, compared to 3.5% at year-end 2019. Impaired loans that are more than 90 days past due amounted to 1.9% of the loan book, comparable to the figure recorded at year-end 2019.

Impairment on assets *other than loans* amounted to 20 million euros, compared to 7 million euros in the previous quarter and 1 million euros in the first quarter of 2019. The figure for the quarter under review includes an 18-million-euro one-off item related to the payment moratorium in Hungary.

For an indication of the expected full-year 2020 impairment impact, see 'Guidance' on page 9 of this publication.

Net result by business unit

Belgium	Czech Republic	International Markets	Group Centre
-86 million euros	88 million euros	35 million euros	-43 million euros

Belgium: the net result (-86 million euros) fell by 497 million euros quarter-on-quarter. Excluding bank taxes (the bulk of which are recorded in the first quarter and hence distort the quarter-on-quarter comparison), the net result fell by 282 million euros (-68%), due almost entirely to the significant drop in trading and fair value income caused by the coronavirus-induced economic turmoil. That aside, net interest income and net fee and commission income rose slightly quarter-on-quarter, while the technical non-life insurance result (storm impact), dividend income and net other income all fell. Costs excluding bank taxes were down somewhat on the previous quarter and loan loss impairment charges were slightly higher quarter-on-quarter (including an amount recorded in relation to the coronavirus crisis).

Czech Republic: the net result (88 million euros) was down 57% on its level for the previous quarter, or 41% excluding bank taxes. As in Belgium, this is almost entirely due to the significant drop in trading and fair value income in the quarter under review. That aside, total income benefited from increased net interest income, technical insurance income and net other income, which more than offset the decrease in net fee and commission income. Costs excluding bank taxes fell and loan loss impairment charges went up (including an amount recorded in relation to the coronavirus crisis).

International Markets: the 35-million-euro net result breaks down as follows: 4 million euros in Slovakia, 10 million euros in Hungary, 10 million euros in Bulgaria and 12 million euros in Ireland. For the business unit as a whole, the net result was down 71% quarter-on-quarter, or 38% excluding bank taxes. The latter decrease came about mainly on account of a combination of the drop in trading and fair value income, lower net fee and commission income (mainly in Hungary and partly seasonal) and higher impairment charges in all countries (including a one-off item in Hungary, as well as an amount recorded in Hungary and Slovakia in relation to the coronavirus crisis).

Group Centre: the net result (-43 million euros) was down 10 million euros quarter-on-quarter, caused in part by lower trading and fair value income and – to a lesser extent – lower net interest income, which more than offset the decrease in costs in the quarter under review.

Selected ratios by business unit	Belgium 1Q2020	Belgium FY2019	Czech Republic 1Q2020	Czech Republic FY2019	International Markets 1Q2020	International Markets FY2019
Cost/income ratio, banking (excluding certain non-operating items and spreading bank taxes evenly throughout the year)	67%	60%	59%	47%	74%	68%
Combined ratio, non-life insurance	95%	89%	90%	94%	82%	88%
Credit cost ratio*	0.40%	0.22%	0.10%	0.04%	0.08%	-0.07%
Impaired loans ratio	2.2%	2.4%	2.2%	2.3%	8.2%	8.5%

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

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

Equity, solvency and liquidity

Total equity	Common equity ratio (fully loaded)	Liquidity coverage ratio	Net stable funding ratio
19.7 billion euros	16.3%	135%	134%

At the end of March 2020, total equity amounted to 19.7 billion euros, comprising 18.2 billion euros in parent shareholders' equity and 1.5 billion euros in additional tier-1 instruments. Total equity was down 0.6 billion euros on its level at the end of 2019, owing to the combined effect of a number of items, including the decrease in the revaluation reserves for FVOCI debt instruments (-0.2 billion euros, due to higher credit spreads) and for equity instruments of the insurance company (the so-called 'insurance overlay approach'; -0.2 billion euros, related to falling stock markets), net translation differences (-0.3 billion euros, due largely to the depreciation of the Czech koruna and Hungarian forint in the quarter under review) and a number of other minor items. We have provided details of these changes in the 'Consolidated financial statements' section of the quarterly report (under 'Consolidated statement of changes in equity').

Please note that (as mentioned earlier), in line with ECB recommendations, our Board of Directors withdrew the proposal to the Annual General Meeting of 7 May 2020 to pay a final total (gross) dividend of 2.5 euros per share for 2019 (after an interim dividend of 1 euro per share had been paid in November 2019). Therefore, no final dividend will be paid in May. The Board also decided to evaluate in October 2020 whether all or part of this withdrawn final dividend should be paid out later this year in the form of an interim dividend, and to cancel the proposed share buy-back programme of 5.5 million shares.

At 31 March 2020, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 16.3%, compared to 17.1% at the end of 2019. The 0.8 percentage point decrease was mainly coronavirus-related (0.5 percentage points, mainly due to FX and a volume growth related risk-weighted assets increase). Our leverage ratio (Basel III, fully loaded) came to 6.5%, compared to 6.8% at the end of 2019. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 212% at the end of March 2020, compared to 202% at the end of 2019. Our liquidity position remained excellent too, as reflected in an LCR ratio of 135% and an NSFR ratio of 134% at the end of the quarter under review (compared to 138% and 136%, respectively, at the end of 2019).

Risk statement, economic views and guidance

Risk statement

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

At present, a number of items are considered to constitute the main challenges for the financial sector. These stem primarily from the impact of the coronavirus crisis on the global economy and, in particular, the financial sector (including credit, market and liquidity risks and the impact of persisting low interest rates on our results). These risks come on top of risks relating to macroeconomic and political developments, such as Brexit and trade conflicts, all of which affect global and European economies, including KBC's home markets. Regulatory and compliance risks (including anti-money laundering regulations and GDPR) remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate-related risks are becoming increasingly prevalent. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

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

Our view on interest rates and foreign exchange rates

The coronavirus crisis is a major shock to the global economy. In this context, fiscal and monetary policy initiatives aim to mitigate the economic impact of the pandemic and to boost recovery. Wherever possible, interest rates were quickly lowered and massive amounts of liquidity injected into the financial markets, where the demand for cash surged due to uncertainty. Moreover, additional unconventional policy tools have been used by central banks seeking to ensure that additional debt can be created at reasonable interest rates. Monetary policy is expected to stay extremely accommodative in the future.

Long-term bond yields are expected to remain low in the US and the euro area throughout 2020 due to exceptionally expansionary monetary policy and safe-haven effects. Some normalisation will gradually occur, but that will depend on further developments in various areas, such as the coronavirus crisis, Brexit, the US-China trade war and the US presidential elections. Intra-EMU sovereign spreads are likely to remain low as the ECB is expected to be able to limit interest-rate differentials.

After raising its policy rate earlier this year, the Czech National Bank (CNB) again lowered its two-week repo rate in several steps from 2.25% to 0.25% in response to the coronavirus crisis. Some continued weakness in the CZK can be expected due to these changes in monetary policy and the general market turmoil surrounding emerging market currencies. The CNB has been legally enabled to rely on quantitative easing tools in case the economic situation necessitates such market interventions. Finally, the CNB is continuing to take a flexible approach to how financial institutions are to comply with their regulatory duties in order to reduce the regulatory burden and to create room for more flexible reactions to the challenging economic environment.

Our view on economic growth

Economic growth in 2020 will move into negative territory in the euro area and the US as a consequence of demand- and supply-side disruptions triggered by the coronavirus crisis. However, we envisage a strong recovery in 2021, due to the fact that, rather than being a normal recession, the current economic situation is a temporary standstill brought about by virus containment measures. Once these measures are gradually lifted, economic activity is expected to gradually pick up again. Moreover, the recovery will be boosted by various policy initiatives to mitigate the economic damage. However, this scenario is subject to considerable uncertainty as risks remain tilted to the downside.

Guidance

- The full-year 2020 *Net Interest Income* guidance has been lowered from 4.65 billion euros to approximately 4.3 billion euros, mainly due to the CNB rate cuts (roughly -0.2 billion euros) and the depreciation of the CZK and HUF versus the EUR (roughly -0.1 billion euros);
- The full-year 2020 guidance for *Operating Expenses Excluding Bank Taxes* has been changed from maximum +1.6% year-on-year towards approximately -3.5% year-on-year due to extra cost savings;
- As a result of the coronavirus pandemic, we estimate the full-year 2020 *Impairments* at roughly 1.1 billion euros (base scenario). 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, some of which still need to be worked out in detail, and the unknown amount of customers who will call upon these mitigating actions, we estimate the full-year 2020 impairment to range between roughly 0.8 billion euros (optimistic scenario) and roughly 1.6 billion euros (pessimistic scenario);
- The impact of the coronavirus-lockdown on digital sales, services and digital signing so far has been very positive. KBC is clearly benefitting from the digital transformation efforts made so far;
- Basel 4 has been postponed by 1 year (as of 1 January 2023 instead of 2022).

—

Upcoming events	2Q2020 results: 6 August 2020 3Q2020 results: 12 November 2020
More information on 1Q2020	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / Investor Relations / Presentations
Definitions of ratios	'Details of ratios and terms at KBC Group level' in the last section of the quarterly report.

KBC Group

Consolidated financial statements according to IFRS

1Q 2020

Section reviewed by the Auditor

Glossary

AC: Amortised Cost
AFS: Available For Sale (IAS 39)
ALM: Asset Liability Management
ECL: Expected Credit Loss
FA: Financial Assets
FV: Fair Value
FVA: Funding Value Adjustment
FVO: Fair Value Option (designated upon initial recognition at Fair Value through Profit or Loss)
FVOCI: Fair Value through Other Comprehensive Income
FVPL: Fair Value through Profit or Loss
FVPL – overlay: Fair Value through Profit or Loss - overlay
GCA: Gross Carrying Amount
HFT: Held For Trading
MFVPL: Mandatorily Measured at Fair Value through Profit or Loss (including HFT)
OCI: Other Comprehensive Income
POCI: Purchased or Originated Credit Impaired Assets
SPPI: Solely payments of principal and interest
SRB: Single Resolution Board
R/E: Retained Earnings

Consolidated income statement

(in millions of EUR)	Note	1Q 2020	4Q 2019	1Q 2019
Net interest income	3.1	1 195	1 182	1 129
Interest income	*3.1*	*1 936*	*1 809*	*1 821*
Interest expense	*3.1*	*- 741*	*- 627*	*- 692*
Non-life insurance (before reinsurance)	3.7	185	229	161
Earned premiums	*3.7*	*443*	*441*	*415*
Technical charges	*3.7*	*- 258*	*- 212*	*- 254*
Life insurance (before reinsurance)	3.7	0	2	- 3
Earned premiums	*3.7*	*297*	*364*	*351*
Technical charges	*3.7*	*- 297*	*- 363*	*- 354*
Ceded reinsurance result	3.7	- 7	- 11	- 7
Dividend income		12	17	12
Net result from financial instruments at fair value through profit or loss	3.3	- 385	130	99
of which result on equity instruments (overlay approach)		*- 82*	*28*	*29*
Net realised result from debt instruments at fair value through OCI		0	0	2
Net fee and commission income	3.5	429	445	410
Fee and commission income	*3.5*	*628*	*643*	*588*
Fee and commission expense	*3.5*	*- 199*	*- 198*	*- 178*
Net other income	3.6	50	47	59
TOTAL INCOME		1 479	2 041	1 862
Operating expenses	3.8	- 1 338	- 1 045	- 1 296
Staff expenses	*3.8*	*- 594*	*- 602*	*- 567*
General administrative expenses	*3.8*	*- 654*	*- 352*	*- 647*
Depreciation and amortisation of fixed assets	*3.8*	*- 89*	*- 92*	*- 82*
Impairment	3.10	- 141	- 82	- 69
on financial assets at AC and at FVOCI	*3.10*	*- 121*	*- 75*	*- 67*
on goodwill	*3.10*	*0*	*0*	*0*
other	*3.10*	*- 20*	*- 7*	*- 1*
Share in results of associated companies and joint ventures		- 3	- 1	5
RESULT BEFORE TAX		- 3	912	503
Income tax expense	3.12	- 2	- 210	- 73
Net post-tax result from discontinued operations		0	0	0
RESULT AFTER TAX		- 5	702	430
attributable to minority interests		0	0	0
of which relating to discontinued operations		*0*	*0*	*0*
attributable to equity holders of the parent		**- 5**	**702**	**430**
of which relating to discontinued operations		*0*	*0*	*0*
Earnings per share (in EUR)				
Ordinary		-0.04	1.66	0.98
Diluted		-0.04	1.66	0.98

Overview impact of the overlay approach on the consolidated income statement

The equity instruments of the insurance companies within the group are designated under the overlay approach. These equity instruments, mainly classified as AFS under IAS 39, would have been measured at fair value through P&L under IFRS 9. The overlay approach reclassifies from the income statement to OCI the extra volatility related to the adoption of IFRS 9 as long as IFRS 17 is not in place, until 31 December 2022 (subject to EU endorsement).

The extra volatility due to IFRS 9, reclassified out of the net result from financial instruments at fair value through profit or loss to the revaluation reserves of equity instruments (overlay approach) refers to the unrealised fair value fluctuations amounting to -225 million euros in 1Q 2020. It can be summarized as the difference between :

- IFRS 9 result (without applying the overlay): -307 million euros of which -312 million euros realized and unrealized fair value adjustments included in 'net result from financial instruments at fair value through profit or loss' and +5 million euros income taxes;
- IAS 39 result: -82 million euros including net realized result amounting to +35 million euros and impairment loss of -116 million euros.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1Q 2020	4Q 2019	1Q 2019
RESULT AFTER TAX	- 5	702	430
attributable to minority interests	0	0	0
attributable to equity holders of the parent	- 5	702	430
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	- 745	- 49	244
Net change in revaluation reserve (FVOCI debt instruments)	- 182	- 247	194
Net change in revaluation reserve (FVPL equity instruments) - overlay	- 225	41	121
Net change in hedging reserve (cashflow hedges)	- 24	105	- 65
Net change in translation differences	- 395	68	- 8
Hedge of net investments in foreign operations	80	- 5	2
Net change in respect of associated companies and joint ventures	0	- 12	- 2
Other movements	2	1	1
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	113	124	33
Net change in revaluation reserve (FVOCI equity instruments)	- 4	- 8	7
Net change in defined benefit plans	100	131	29
Net change in own credit risk	17	0	- 2
Net change in respect of associated companies and joint ventures	0	0	- 1
TOTAL COMPREHENSIVE INCOME	- 637	777	708
attributable to minority interests	0	0	0
attributable to equity holders of the parent	- 637	778	708

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

- The revaluation reserve (FV OCI debt instruments) decreased in 1Q 2020 by 182 million euros, negatively impacted by higher credit spreads. In 1Q 2019, the revaluation reserve (FV OCI debt instruments) increased by 194 million euros, positively impacted by lower interest rates.
- Net change in revaluation reserve (FVPL equity instruments – overlay approach): the -225 million euros in 1Q 2020 can be explained by negative fair value movements, partly offset by transfers to net result (impairments partly offset by gains on disposal). In 1Q 2019, the +121 million euros can be explained by positive fair value movements, partly offset by transfers to net result (gains on disposal partly offset by impairments).
- The net change in translation differences (-395 million euros) in 1Q 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 (+80 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 +100 million euros in 1Q 2020 is explained by the mortality risk of the KBC pension fund being fully reinsured as of 2020, while the higher discount rate is offset by a negative return on plan assets. In 1Q 2019, the net change in defined benefit plans (+29 million euros) is mainly related to the positive performance of the plan assets.

Consolidated balance sheet

(in millions of EUR)	Note	31-03-2020	31-12-2019
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		7 489	8 356
Financial assets	4.0	283 586	273 399
Amortised cost	*4.0*	*238 890*	*230 639*
Fair value through OCI	*4.0*	*18 427*	*19 037*
Fair value through profit or loss	*4.0*	*26 091*	*23 563*
of which held for trading	*4.0*	*11 574*	*7 266*
Hedging derivatives	*4.0*	*178*	*158*
Reinsurers' share in technical provisions, insurance		134	121
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		1 333	478
Tax assets		1 565	1 396
Current tax assets		*103*	*96*
Deferred tax assets		*1 462*	*1 300*
Non-current assets held for sale and disposal groups		45	29
Investments in associated companies and joint ventures		23	25
Property, equipment and investment property		3 710	3 818
Goodwill and other intangible assets		1 594	1 640
Other assets		1 973	1 474
TOTAL ASSETS		**301 451**	**290 735**
LIABILITIES AND EQUITY			
Financial liabilities	4.0	258 723	248 400
Amortised cost	*4.0*	*235 448*	*224 093*
Fair value through profit or loss	*4.0*	*21 910*	*23 137*
of which held for trading	*4.0*	*7 667*	*6 988*
Hedging derivatives	*4.0*	*1 364*	*1 171*
Technical provisions, before reinsurance		18 816	18 560
Fair value adjustments of the hedged items in portfolio hedge of interest rate risk		244	- 122
Tax liabilities		499	478
Current tax liabilities		*166*	*98*
Deferred tax liabilies		*333*	*380*
Provisions for risks and charges		264	227
Other liabilities		3 184	2 827
TOTAL LIABILITIES		281 731	270 371
Total equity	5.10	19 720	20 365
Parent shareholders' equity	5.10	18 220	18 865
Additional tier-1 instruments included in equity	5.10	1 500	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		**301 451**	**290 735**

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cash-flow hedges)*	*Translation differences*	*Hedge of net investments in foreign opera-tions*	*Remeasurement of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent share-holders' equity	Additional tier-1 instruments included in equity	Minority interests	**Total equity**
31-03-2020																	
Balance at the end of the previous period	**1 458**	**5 498**	**-2**	**11 875**	*992*	*350*	*32*	*-1 331*	*-92*	*89*	*0*	*-4*	**37**	**18 865**	1 500	0	**20 365**
Net result for the period	**0**	**0**	**0**	**-5**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-5**	0	0	**-5**
Other comprehensive income for the period	**0**	**0**	**0**	**2**	*-182*	*-225*	*-4*	*-24*	*-395*	*80*	*100*	*17*	**-633**	**-631**	0	0	**-631**
Subtotal	**0**	**0**	**0**	**-4**	*-182*	*-225*	*-4*	*-24*	*-395*	*80*	*100*	*17*	**-633**	**-637**	0	0	**-637**
Dividends	**0**	**0**	**0**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Coupon on AT1	**0**	**0**	**0**	**-9**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-9**	0	0	**-9**
Transfer from revaluation reserves to retained earnings on realisation	**0**	**0**	**0**	**1**	*0*	*0*	*-1*	*0*	*0*	*0*	*0*	*0*	**-1**	**0**	0	0	**0**
Purchase/sale of treasury shares	**0**	**0**	**1**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**1**	0	0	**1**
Total change	**0**	**0**	**1**	**-12**	*-182*	*-225*	*-5*	*-24*	*-395*	*80*	*100*	*17*	**-634**	**-644**	0	0	**-644**
Balance at the end of the period	**1 458**	**5 498**	**-1**	**11 863**	*809*	*125*	*28*	*-1 355*	*-486*	*169*	*101*	*13*	**-597**	***18 220***	1 500	*0*	***19 720***
of which relating to the equity method					*0*	*0*	*2*	*0*	*0*	*0*	*0*	*0*	**2**	**2**			**2**
2019																	
Balance at the end of the previous period	**1 457**	**5 482**	**-3**	**10 901**	*586*	*159*	*22*	*-1 263*	*-73*	*86*	*-119*	*-3*	**-605**	**17 233**	2 400	0	**19 633**
Net result for the period	**0**	**0**	**0**	**2 489**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**2 489**	0	0	**2 489**
Other comprehensive income for the period	**0**	**0**	**0**	**-3**	*406*	*191*	*9*	*-68*	*-19*	*3*	*119*	*-1*	**640**	**637**	0	0	**637**
Subtotal	**0**	**0**	**0**	**2 486**	*406*	*191*	*9*	*-68*	*-19*	*3*	*119*	*-1*	**640**	**3 126**	0	0	**3 126**
Dividends	**0**	**0**	**0**	**-1 457**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-1 457**	0	0	**-1 457**
Coupon on AT1	**0**	**0**	**0**	**-52**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-52**	0	0	**-52**
Issue/repurchase of AT1 included in equity	**0**	**0**	**0**	**-2**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-2**	-900	0	**-902**
Capital increase	**1**	**15**	**0**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**16**	0	0	**16**
Transfer from revaluation reserves to retained earnings on realisation	**0**	**0**	**0**	**-1**	*0*	*0*	*1*	*0*	*0*	*0*	*0*	*0*	**1**	**0**	0	0	**0**
Total change	**1**	**15**	**0**	**974**	*406*	*191*	*10*	*-68*	*-19*	*3*	*119*	*-1*	**641**	**1 632**	-900	0	**732**
Balance at the end of the period	**1 458**	**5 498**	**-2**	**11 875**	*992*	*350*	*32*	*-1 331*	*-92*	*89*	*0*	*-4*	**37**	**18 865**	1 500	0	**20 365**
of which relating to the equity method					*0*	*0*	*2*	*0*	*0*	*0*	*0*	*0*	**2**	**2**			**2**

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	*Revaluation reserve (FVOCI debt instruments)*	*Revaluation reserve (FVPL equity instruments) - overlay*	*Revaluation reserve (FVOCI equity instruments)*	*Hedging reserve (cash-flow hedges)*	*Translation differences*	*Hedge of net investments in foreign opera-tions*	*Remeasurement of defined benefit plans*	*Own credit risk through OCI*	Total revaluation reserves	Parent shareholders' equity	Additional tier-1 instruments included in equity	Minority interests	**Total equity**
31-03-2019																	
Balance at the end of the previous period	**1 457**	**5 482**	**-3**	**10 901**	*586*	*159*	*22*	*-1 263*	*-73*	*86*	*-119*	*-3*	**-605**	**17 233**	2 400	0	**19 633**
Net result for the period	**0**	**0**	**0**	**430**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**430**	0	0	**430**
OCI for the period	**0**	**0**	**0**	**1**	*192*	*121*	*6*	*-65*	*-8*	*2*	*29*	*-2*	**276**	**278**	0	0	**278**
Subtotal	**0**	**0**	**0**	**431**	*192*	*121*	*6*	*-65*	*-8*	*2*	*29*	*-2*	**276**	**708**	0	0	**708**
Dividends	**0**	**0**	**0**	**0**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**0**	0	0	**0**
Coupon on AT1	**0**	**0**	**0**	**-14**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-14**	0	0	**-14**
Issue/repurchase of AT1 included in equity	**0**	**0**	**0**	**-2**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-2**	-900	0	**-902**
Transfer from revaluation reserves to retained earnings on realisation	**0**	**0**	**0**	**-1**	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	**0**	**-1**	0	0	**-1**
Total change	**0**	**0**	**0**	**415**	*192*	*121*	*6*	*-65*	*-8*	*2*	*29*	*-2*	**276**	**691**	-900	0	**-209**
Balance at the end of the period	**1 457**	**5 482**	**-3**	**11 316**	*778*	*281*	*29*	*-1 328*	*-81*	*88*	*-89*	*-6*	**-328**	**17 924**	1 500	0	**19 424**
of which relating to application of the equity method					*4*	*0*	*0*	*0*	*13*	*0*	*0*	*0*	**18**	**18**			**18**

1Q 2020

Please note that, fully in line with the European Central Bank recommendation, the KBC Board of Directors has decided :

- to withdraw the proposal to the Annual Shareholders' meeting of 7 May 2020 to declare a final total (gross) dividend over 2019 profit of 2.5 EUR per share (after an interim dividend of 1 EUR per share that was paid in November 2019 already)
- to evaluate in October 2020 whether all or part of this withdrawn final dividend should as yet be paid out later this year (2020) in the form of an interim dividend
- to cancel the proposed share buy-back program of 5.5 million shares, in deviation from what was announced in the press release of 13 February 2020 at the occasion of the 4th quarter 2019 results publication.

2019

The 'Dividends' item in 2019 includes:

- for 2018 a closing dividend of 2.50 euros per share (a total of 1 040 million euros is deducted from retained earnings in 2Q 2019). The closing dividend was paid on 9 May 2019.
- an interim dividend of 1 euro per share (416 million euros in total), as an advance on the final dividend for 2019, payable on 15 November 2019 (already deducted from retained earnings in 3Q 2019).

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

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

Consolidated cash flow statement

(in millions of EUR)	Note (1)	1Q 2020	1Q 2019
OPERATING ACTIVITIES			
Result before tax	Consolidated income statement	- 3	
Adjustments for non-cash items in profit & loss	-	1 071	
Changes in operating assets (excluding cash and cash equivalents)	-	- 11 694	
Changes in operating liabilities (excluding cash and cash equivalents)	-	10 928	
Income taxes paid		- 195	
Net cash from or used in operating activities		107	5 539
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	- 1 443	
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)		- 57	
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)		40	
Other		- 10	
Net cash from or used in investing activities		- 1 470	- 391
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Consolidated statement of changes	0	
Issue or repayment of promissory notes and other debt securities	4.1	313	
Proceeds from or repayment of subordinated liabilities	4.1	- 35	
Principal payments under finance lease obligations	-	0	
Proceeds from the issuance of share capital	Consolidated statement of changes in equity	0	
Issue of additional tier-1 instruments	Consolidated statement of changes in equity	0	
Proceeds from the issuance of preference shares	Consolidated statement of changes in equity	0	
Dividends paid	Consolidated statement of changes in equity	0	
Coupon additional Tier-1 instruments	Consolidated statement of changes in equity	- 9	
Net cash from or used in financing activities		270	- 647

(in millions of EUR)	Note (1)	1Q 2020	1Q 2019
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents	-	- 1 093	4 501
Cash and cash equivalents at the beginning of the period	-	29 118	34 354
Effects of exchange rate changes on opening cash and cash equivalents	-	- 1 842	- 64
Cash and cash equivalents at the end of the period	-	26 183	38 790
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Consolidated balance sheet	7 489	16 967
Term loans to banks at not more than three months (excl. reverse repos)	4.1	559	1 075
Reverse repos with credit institutions and investment firms at not more than three months	4.1	26 397	27 146
Deposits from banks repayable on demand	4.1	- 8 261	- 6 398
Cash and cash equivalents belonging to disposal groups	-	0	0
Total	-	26 183	38 790
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 1Q 2020 was limited (+107 million euros) as the growth of the deposits was at a similar level as the loan growth. In 1Q 2019, the positive net cash from operating activities (+5 539 million euros) is mainly thanks to relative higher deposit growth (incl. higher demand deposits and saving accounts).

Net cash from (used in) investing activities in 1Q 2020 and 1Q 2019 (respectively -1 470 and -391 million euros) is mainly explained by additional investments in debt securities at amortised cost.

The net cash flow from financing activities in 1Q 2020 (+270 million euros) mainly includes the issue of Senior Holdco instruments for 500 million euros, partly offset by repayments. In 1Q 2019 the net cash flow from financing activities (-647 million euros) includes the call by KBC Group NV of Additional Tier-1 instruments that had been issued in 2014, with a nominal value of 1.4 billion euros and the issue of Additional Tier-1 instruments included in equity for 500 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 the KBC Group for the period ended 31 March 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 not yet effective in 2020. KBC will apply these standards when they become mandatory.

- IFRS 17:
  - In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 (Insurance Contracts) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. IFRS 17 will become effective for reporting periods beginning on or after 1 January 2023 (subject to EU endorsement), with comparative figures being required. An impact study is an inherent part of the IFRS 17 project that is currently underway at KBC.

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

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

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

Exchange rates used: during the first quarter of 2020, the exchange rates of the CZK and HUF dropped significantly, with negative impact on the balance sheet total (versus limited impact for the average rate used for the income statement).

- CZK: exchange rate depreciated versus EUR from 25,408 at year-end 2019 to 27,312 at 31 March 2020 (1 EUR = … currency)
- HUF: exchange rate depreciated versus EUR from 330,53 at year-end 2019 to 360,02 at 31 March 2020 (1 EUR = … currency)

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 the second quarter of 2020 and for full year 2020. The coronavirus pandemic has triggered a chain of events in the markets that has led to a massive sell-off across asset classes and 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, resulting in flattening yield curves and widening credit spreads.

Overview of the different government measures in each of our core countries:

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria	Ireland
Deferral of payments	• Opt-in: 6 months, (maximum until 31 Oct 2020) • Applicable for mortgages and viable companies • For private persons: deferral of principal and interest, while only capital deferral for commercial 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 (est. in 2Q)	• Opt-in: 3 or 6 months • Applicable for retail and non-retail clients • For private persons: deferral of principal and interest, while only capital deferral for commercial clients • Interest is accrued over the deferral period, but the interest has to be repaid in the last instalment, resulting in a small modification loss for the bank (est. in 2Q) • 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, entrepreneurs and SMEs • Deferral of principal and interest • Interest is accrued over the deferral period, but the client has the option to repay all interests at once after the moratorium or repay on a linear basis. The latter option would result in a small modification loss for the bank (est. in 2Q)	• Opt-out: a blanket moratorium until 31 Dec 2020 • Applicable for retail and non-retail cients • Deferral of principal and interest • Interest is accrued over deferral period, but unpaid interest cannot be capitalized and must be collected on a linear way during the remaining (extended) lifetime. This results in a modification loss for the bank (estimated at -18 million euros, booked in 1Q)	• Opt-in: 6 months (maximum until 31 December 2020 • Applicable for retail and non- retail • Deferral of principal and interest • Interest is accrued over deferral period	• Opt-in: 3 to 6 months • Applicable for mortgage loans, consumer finance loans and business banking loans with repayment schedule • Deferral of principal and interests for up to 6 months (with revision after 3 months) for Mortgages & Consumer finance and 3 months for business banking • Interest is accrued over deferral period, but repaid on linear basis, resulting in a modification loss for the bank (est. in 2Q)
Guarantee scheme & Liquidity assistance	• A state guarantee scheme up to 50 billion euros to cover losses incurred on future loans granted before 30 September 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 • New loans with a maturity of 12 months under the government guarantee scheme (leasing and factoring excluded), with maximum interest of 1.25%	• Providing a guarantee for company loans (up to 80%, maximum amount of the loan up to 548 000 euros) from commercial banks, sponsored by Czech-Moravian Guarantee and Development Bank • Interest-free loans provided by the Czech-Moravian Guarantee and Development bank to entrepreneurs and SMEs ranging from 18 000 to 548 000 euros, up to 2 year maturity including a 12 months grace period	• State offers bank guarantees of up to 500 million euros a month to commercial clients • Working capital loans aimed at helping SMEs in particular to bridge this period (loan amount up to 500 000 euros, with 3 years maturity including a 12 months grace period), in preparation by EXIM Bank of the Slovak Republic • Proposal for banks to grant Short term interest-free loans to companies guaranteed by SZRB	• Already existing government guarantee scheme (Garantiqa) is largely extended to cope with Covid-19 crisis • Annual interest rate on personal loans granted by commercial banks may not exceed the central bank base rate by more than 5 percentage points	• 700 million BGN of state guarantees provided by the Bulgarian Development Bank to commercial banks of which 100 million euros provided for an interest-free personal loan up to 750 euros	• A credit guarantee scheme will be provided by the pillar banks to affected firms. Loans of up to 1 million euros will be available (estimated at 150 million euros) • A 200 million euros in liquidity support for struggling firms made available by Enterprise Ireland • Working capital and long-term loans (up to 1.5 million euros) will be provided by the Strategic Banking Corporation of Ireland's Covid-19 Working Capital Scheme at reduced rates, totaling 650 million euros

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

Expected credit losses

Our 1Q20 collective Expected Credit Losses (ECL) calculations are based on pre-Covid-19 macroeconomics. The ECL models are not able to adequately reflect the specificities of the Covid-19 crisis nor the various government measures implemented in the different countries to support households, SME's and Corporates through this crisis. Therefore, an expert-based calculation on portfolio level has been performed to take into account the adjusted macroeconomic circumstances and the different government measures via a management overlay. For this purpose a methodology has been devised to apply a certain stress to the performing portfolio by end of March 2020 which is fully explained in this note.

The methodology applied for determining the Covid-19 impact starts from the forecast of the KBC Group Chief Economist of end of 1Q 2020 (see paragraph *Economic scenarios* below for more details on these forecasts). For each of our home countries, these scenarios – which take into account the different local government measures – were translated together with the KBC Chief Economist into certain PD downgrades (between 1 and 3 notches[1]), under the assumption that higher PDs will be more affected. In general the assumption was taken that on average SME would be more vulnerable than corporates. Next to the above, and in line with the ECB/ESMA/EBA guidance, any general government measure has not led to an automatic staging in the applied portfolio stress.

Based on expert opinion, only a certain number of (sub)sectors, which we believe will be mainly affected by Covid-19, are included in the 1Q management overlay. These consist in the aggregate of (in descending order of importance in terms of ECL):

- Distribution - retail (including retail trade services of cars, textiles, audio, construction materials, etc…)
- Hotels, bars and restaurants
- Shipping - transportation
- Services - entertainment & leisure (including travel agencies, tour operators, museums, organizations of concerts, theaters, hairdressers, etc…)
- Aviation

These (sub)sectors represent about 5,2% of our total corporate and SME portfolio. Our loan and investment portfolio banking (as defined in the annual accounts of 2019 in the chapter 'How do we manage our risks?') is as follows:

Loan portfolio:

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

For the management overlay (fully assigned to stage 2) we attributed 100% weight to the base scenario, given that we currently believe that this is the most likely scenario. In terms of impact, this results in the following amounts (in millions of EUR):

Sector	BE	CZ	HU	SK	Total	In % of total corporate & SME loan portfolio
Distribution - retail	12,6	4,3	0,9	1,0	18,8	2,1
Hotels, bars & restaurants	16,0	1,1	0,2	0,0	17,4	1,0
Shipping - transportation	3,3	0,1	0,1	0,0	3,4	1,2
Services - entertainment & leisure	3,0	0,3	0,1	0,0	3,4	0,7
Aviation	0,2	0,2	0,0	0,0	0,4	0,3
Total	35,1	5,9	1,3	1,0	43,3	5,2

The impact for United Bulgarian Bank AD (Bulgaria) and KBC Bank Ireland Plc. is currently deemed immaterial for Q1.

The credit cost ratio (CCR) including this impact increases from 0,12% per FY19 to 0,27% per 1Q20.

The retail portfolio is not included in the above management overlay, as it is our current stance that the government measures (known and possible additional ones in the spirit that governments will do everything it takes to minimize the negative impact especially for retail customers) will prevent any significant impact on the retail portfolios.

[1] *A 1 notch downgrade represents doubling of the probability of default.*

As a result of the coronavirus pandemic, we estimate the full-year 2020 Impairments at roughly 1.1 billion euros (base scenario). 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, some of which still need to be worked out in detail, and the unknown amount of customers who will call upon these mitigating actions, we estimate the full-year 2020 impairment to range between roughly 0.8 billion euros (optimistic scenario) and roughly 1.6 billion euros (pessimistic scenario).

Regarding CET1, in line with the ECB recommendation we intend to apply (subject to ECB approval) the IFRS 9 transitional measures going forward.

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:

Scenario	Virus evolution	Lockdown evolution	Economy	Recovery
Optimistic	Spread quickly under control	Lifted fast in Q2	Fall in 1H20, steep recovery from Q3 onwards	Sharp, short V-shaped pattern
Base	Spread under control thanks to longer lockdown	Slow and gradual removal from Q3 onwards	Major fall in economic activity in 1H20 with gradual recovery in 2H20	Pronounced V/U-shaped pattern
Pessimistic	Spread continues until vaccination	On-off until vaccination	Long-term stagnation and negative growth	W/L-pattern with right leg only slowly increasing

Within the base scenario, demand (consumer spending) and supply (people & resources) are expected to be severely hit in 2020, with the current financial condition of the companies/private persons mainly determining whether they will be able to weather the storm or not, also taking into account the government measures to support (viable) companies and private persons.

The following table 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* (situation at March 31, 2020)	2020			2021			2022		
Scenario	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Real GDP growth									
Euro area	-6,0%	-11,3%	-14,0%	6,5%	11,0%	-3,2%	1,3%	1,2%	5,0%
Belgium	-5,0%	-9,5%	-13,2%	6,0%	12,3%	-3,2%	1,3%	1,3%	5,0%
Czech Republic	-5,0%	-10,0%	-15,0%	2,0%	4,0%	0,0%	2,1%	2,0%	3,0%
Hungary	-3,0%	-9,0%	-12,0%	2,0%	4,0%	1,0%	3,0%	3,0%	3,0%
Slovakia	-5,0%	-10,0%	-14,0%	2,5%	5,0%	-2,5%	2,6%	2,5%	2,5%
Bulgaria	-4,0%	-10,0%	-12,0%	3,0%	5,0%	2,0%	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%	6,2%	10,0%	5,8%	5,8%	12,0%	5,6%	5,6%	9,5%
Czech Republic	3,5%	4,5%	5,5%	4,0%	5,5%	7,0%	3,7%	5,0%	7,0%
Hungary	5,7%	7,2%	12,0%	4,4%	5,0%	8,7%	4,0%	4,3%	5,9%
Slovakia	8,0%	9,0%	12,0%	9,3%	11,0%	14,0%	7,7%	8,0%	14,0%
Bulgaria	6,8%	8,0%	11,0%	7,7%	10,0%	13,0%	6,1%	7,0%	12,0%
Ireland	9,7%	14,0%	20,0%	7,1%	9,0%	18,0%	5,6%	6,0%	12,0%
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%

* In line with the KBC Group Chief Economist's forecasts (on 31 March 2020).

Financial instruments at fair value through P&L:

Financial instruments at fair value through P&L have been affected by the increased volatility in financial markets. The combination of a number of market-driven factors, such as sharply lower stock markets, widening credit spreads and lower long-term interest rates, has had a negative impact on the fair value of financial Instruments at KBC of 0.4 billion euros. For more information: see note 3.3 further in this report.

Goodwill:

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

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

Deferred 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.

Revaluation reserves:

The impact of Covid-19 on the financial markets is also reflected in a downward movement of the revaluation reserves in OCI, more specifically on the revaluation reserve (FVPL equity instruments) – overlay approach, revaluation reserve (FVOCI debt instruments) and the translation differences. For more information, see text below the table Other Comprehensive income.

Insurance contracts:

The impact in 1Q 2020 related to Corona is limited.

Impact on the acquisition of OTP Banka Slovensko and the sale of NLB Vita:

The approval processes for both files are 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
1Q2020									
Net interest income	640	351	219	*62*	*50*	*36*	*71*	- 16	**1 195**
Non-life insurance (before reinsurance)	112	31	40	*14*	*7*	*18*	*0*	2	**185**
Earned premiums	*283*	*75*	*82*	*39*	*12*	*31*	*0*	*2*	***443***
Technical charges	*- 172*	*- 44*	*- 43*	*- 25*	*- 5*	*- 13*	*0*	*0*	***- 258***
Life insurance (before reinsurance)	- 21	14	8	*1*	*3*	*4*	*0*	0	**0**
Earned premiums	*216*	*52*	*29*	*9*	*9*	*11*	*0*	*0*	***297***
Technical charges	*- 237*	*- 39*	*- 21*	*- 8*	*- 7*	*- 7*	*0*	*0*	***- 297***
Ceded reinsurance result	- 9	0	- 3	*- 1*	*0*	*- 2*	*0*	5	**- 7**
Dividend income	11	0	0	*0*	*0*	*0*	*0*	1	**12**
Net result from financial instruments at fair value through profit or loss	- 217	- 125	- 5	*2*	*- 8*	*0*	*2*	- 39	**- 385**
Net realised result from debt instruments at fair value through OCI	0	0	0	*0*	*0*	*0*	*0*	0	**0**
Net fee and commission income	308	55	69	*49*	*15*	*6*	*- 1*	- 2	**429**
Net other income	35	9	6	*2*	*3*	*0*	*0*	0	**50**
TOTAL INCOME	858	335	333	*130*	*70*	*62*	*71*	- 48	**1 479**
Operating expenses	- 828	- 221	- 268	*- 101*	*- 59*	*- 48*	*- 60*	- 21	**- 1 338**
Impairment	- 117	- 9	- 24	*- 16*	*- 6*	*- 3*	*2*	9	**- 141**
on financial assets at amortised cost and at fair value through OCI	*- 116*	*- 8*	*- 6*	*2*	*- 6*	*- 3*	*1*	*9*	***- 121***
on goodwill	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
other	*0*	*- 1*	*- 18*	*- 18*	*0*	*0*	*0*	*0*	***- 20***
Share in results of associated companies and joint ventures	- 3	0	0	*0*	*0*	*0*	*0*	0	**- 3**
RESULT BEFORE TAX	- 90	105	42	*13*	*4*	*11*	*13*	- 60	**- 3**
Income tax expense	4	- 17	- 7	*- 4*	*- 1*	*- 1*	*- 2*	18	**- 2**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	- 86	88	35	*10*	*4*	*10*	*12*	- 43	**- 5**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	- 86	88	35	*10*	*4*	*10*	*12*	- 43	**- 5**
1Q2019									
Net interest income	625	302	213	*62*	*52*	*35*	*65*	- 11	**1 129**
Non-life insurance (before reinsurance)	94	29	35	*12*	*7*	*16*	*0*	3	**161**
Earned premiums	*270*	*66*	*77*	*37*	*11*	*29*	*0*	*2*	***415***
Technical charges	*- 175*	*- 37*	*- 42*	*- 26*	*- 4*	*- 12*	*0*	*1*	***- 254***
Life insurance (before reinsurance)	- 25	14	9	*2*	*3*	*4*	*0*	0	**- 3**
Earned premiums	*268*	*56*	*27*	*4*	*11*	*11*	*0*	*0*	***351***
Technical charges	*- 293*	*- 42*	*- 18*	*- 3*	*- 8*	*- 7*	*0*	*0*	***- 354***
Ceded reinsurance result	8	- 3	- 2	*- 1*	*0*	*- 2*	*0*	- 10	**- 7**
Dividend income	11	0	0	*0*	*0*	*0*	*0*	1	**12**
Net result from financial instruments at fair value through profit or loss	54	- 3	10	*10*	*0*	*4*	*- 3*	38	**99**
Net realised result from debt instruments at fair value through OCI	0	0	1	*0*	*1*	*0*	*0*	0	**2**
Net fee and commission income	286	58	68	*48*	*15*	*6*	*- 1*	- 2	**410**
Net other income	45	13	3	*1*	*2*	*0*	*0*	- 2	**59**
TOTAL INCOME	1 099	410	336	*133*	*80*	*63*	*60*	17	**1 862**
Operating expenses	- 807	- 204	- 260	*- 102*	*- 55*	*- 47*	*- 56*	- 24	**- 1 296**
Impairment	- 83	1	7	*0*	*- 3*	*- 2*	*12*	6	**- 69**
on financial assets at amortised cost and at fair value through OCI	*- 82*	*2*	*8*	*0*	*- 3*	*- 2*	*12*	*6*	***- 67***
on goodwill	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
other	*- 1*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***- 1***
Share in results of associated companies and joint ventures	- 1	4	1	*0*	*0*	*0*	*0*	0	**5**
RESULT BEFORE TAX	208	212	85	*31*	*23*	*15*	*16*	- 2	**503**
Income tax expense	- 32	- 35	- 15	*- 6*	*- 5*	*- 2*	*- 2*	9	**- 73**
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	*0*	0	**0**
RESULT AFTER TAX	176	177	70	*25*	*18*	*13*	*14*	7	**430**
attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	**0**
attributable to equity holders of the parent	176	177	70	*25*	*18*	*13*	*14*	7	**430**

Other notes

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

(in millions of EUR)	1Q 2020	4Q 2019	1Q 2019
Total	**1 195**	**1 182**	**1 129**
Interest income	**1 936**	**1 809**	**1 821**
Interest income on financial instruments calculated using the effective interest rate method			
Financial assets at AC	1 386	1 389	1 360
Financial assets at FVOCI	83	83	88
Hedging derivatives	134	107	119
Financial liabilities (negative interest)	20	14	13
Other	3	4	6
Interest income on other financial instruments			
Financial assets MFVPL other than held for trading	3	3	1
Financial assets held for trading	307	210	233
Of which economic hedges	*298*	*203*	*226*
Other financial assets at FVPL	0	0	0
Interest expense	**- 741**	**- 627**	**- 692**
Interest expense on financial instruments calculated using the effective interest rate method			
Financial liabilities at AC	- 284	- 311	- 340
Financial assets (negative interest)	- 10	- 10	- 24
Hedging derivatives	- 177	- 166	- 164
Other	- 2	- 2	- 1
Interest expense on other financial instruments			
Financial liabilities held for trading	- 257	- 127	- 152
Of which economic hedges	*- 247*	*- 117*	*- 144*
Other financial liabilities at FVPL	- 10	- 10	- 9
Net interest expense relating to defined benefit plans	- 1	- 2	- 2

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

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

Financial instruments at fair value through profit or loss have been affected by the increased volatility in financial markets, largely related to the Covid-19 crisis.

The result from financial instruments at fair value through profit or loss in 1Q 2020 is 515 million euros lower compared to 4Q 2019. The quarter-on-quarter decrease is due to:

- Very negative market value adjustments in 1Q 2020 compared to positive market value adjustments in 4Q 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 funding spreads
- Negative net result on equity instruments (insurance) compared to positive net result in 4Q 2019, driven by higher impairments on equity instruments due to the decreasing equity markets in 1Q 2020
- Negative MTM ALM derivatives in 1Q 2020 compared to positive MTM ALM derivatives in 4Q 2019
- Negative dealing room income in 1Q 2020 compared to positive dealing room income in 4Q 2019

Compared to 1Q 2019, the result from financial instruments at fair value through profit or loss is 484 million euros lower in 1Q 2020, for a large part explained by:

- Very negative market value adjustments in 1Q 2020 compared to only slightly negative market value adjustments in 1Q 2019
- Negative net result on equity instruments (insurance) in 1Q 2020 compared to positive net result in 1Q 2019, driven by higher impairments on equity instruments in 1Q 2020 due to the decreasing equity markets
- Negative dealing room income in 1Q 2020 compared to positive dealing room income in 1Q 2019
- Negative MTM ALM derivatives in 1Q 2020 compared to positive MTM ALM derivatives in 1Q 2019

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

(in millions of EUR)	1Q 2020	4Q 2019	1Q 2019
Total	429	445	410
Fee and commission income	628	643	588
Fee and commission expense	- 199	- 198	- 178
Breakdown by type			
Asset Management Services	270	279	264
Fee and commission income	285	295	277
Fee and commission expense	- 15	- 16	- 13
Banking Services	229	243	219
Fee and commission income	319	331	294
Fee and commission expense	- 90	- 87	- 76
Distribution	- 71	- 77	- 73
Fee and commission income	24	17	16
Fee and commission expense	- 95	- 95	- 89

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

(in millions of EUR)	1Q 2020	4Q 2019	1Q 2019
Total	50	47	59
of which gains or losses on			
Sale of financial assets measured at amortised cost	8	4	3
Repurchase of financial liabilities measured at amortised cost	0	0	0
of which other, including:	42	44	55
Income from (mainly operational) leasing activities, KBC Lease Group	19	16	19
Income from VAB Group	12	8	11
Settlement of legacy legal cases	0	0	6
Provisioning for tracker mortgage review	0	- 1	0

Note : Settlement of legacy legal cases concerns Czech Republic (+6 million euros in 1Q 2019)

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

(in millions of EUR)	Life	Non-life	Non-technical account	Total
1Q 2020				
Earned premiums, insurance (before reinsurance)	297	448	-	745
of which change in provision unearned premiums	- 1	- 230		- 232
Technical charges, insurance (before reinsurance)	- 297	- 259	-	- 556
Claims paid	- 268	- 234	-	- 502
Changes in technical provisions	47	- 8	-	39
Other technical result	- 76	- 17	-	- 93
Net fee and commission income	2	- 87	-	- 85
Ceded reinsurance result	4	- 12	-	- 7
General administrative expenses	- 48	- 63	- 1	- 112
Internal claims settlement expenses	- 2	- 15	-	- 17
Indirect acquisition costs	- 8	- 18	-	- 27
Administrative expenses	- 38	- 30	-	- 68
Investment management fees	0	0	- 1	- 1
Technical result	- 42	27	- 1	- 16
Investment Income (*)	22	9	6	37
Technical-financial result	- 20	36	5	21
Share in results of associated companies and joint ventures	-	-	-	-
RESULT BEFORE TAX	- 20	36	5	21
Income tax expense	-	-	-	- 18
RESULT AFTER TAX	-	-	-	3
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**3**
1Q 2019				
Earned premiums, insurance (before reinsurance)	351	420	-	771
of which change in provision unearned premiums	- 1	- 220	-	- 220
Technical charges, insurance (before reinsurance)	- 354	- 255	-	- 608
Claims paid	- 292	- 211	-	- 502
Changes in technical provisions	- 89	- 27	-	- 117
Other technical result	27	- 17	-	10
Net fee and commission income	- 7	- 84	-	- 91
Ceded reinsurance result	0	- 7	-	- 7
General administrative expenses	- 49	- 64	- 1	- 113
Internal claims settlement expenses	- 2	- 15	-	- 17
Indirect acquisition costs	- 8	- 18	-	- 25
Administrative expenses	- 39	- 31	-	- 70
Investment management fees	-	-	- 1	- 1
Technical result	- 58	11	- 1	- 48
Investment Income (*)	126	22	11	159
Technical-financial result	68	33	10	110
Share in results of associated companies and joint ventures	-	-	1	1
RESULT BEFORE TAX	68	33	12	112
Income tax expense	-	-	-	- 15
RESULT AFTER TAX	-	-	-	97
attributable to minority interest	-	-	-	0
attributable to equity holders of the parent	-	-	-	**96**

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

1Q 2019 consists of (in millions of EUR): Net interest income (118), Net Dividend income (7), Net result from financial instruments at fair value through profit and loss (32), Net realised result from debt instruments at fair value through OCI (1), Net other income (1) and Impairment (0).

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

Note: Figures for premiums exclude the investment contracts without DPF (Discretionary Participation Features), which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2019 annual accounts).

In 1Q 2020 the technical result non-life was negatively impacted by :

- Storms in Belgium, Czech Republic and Hungary for an amount of -51 million euros (pre-tax, before reinsurance)

In 1Q 2019 the technical result non-life was negatively impacted by

- storms in Belgium and Czech Republic for an amount of about -41 million euros (pre-tax; before reinsurance)
- and large fire claims in Belgium of -20 million euros (pré-tax, before reinsurance).

Operating expenses – income statement (note 3.8 in the annual accounts 2019)

The operating expenses for 1Q 2020 include 407 million euros related to bank (and insurance) levies (51 million euros in 4Q 2019; 382 million euros in 1Q 2019). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

Impairment – income statement (note 3.10 in the annual accounts 2019)

(in millions of EUR)	1Q 2020	4Q 2019	1Q 2019
Total	**- 141**	**- 82**	**- 69**
Impairment on financial assets at AC and at FVOCI	- 121	- 75	- 67
Of which impairment on financial assets at AC	- 120	- 75	- 68
By product			
Loans and advances	- 111	- 68	- 62
Debt securities	0	0	- 1
Off-balance-sheet commitments and financial guarantees	- 9	- 7	- 5
By type			
Stage 1 (12-month ECL)	- 8	5	- 2
Stage 2 (lifetime ECL)	- 46	37	8
Stage 3 (non-performing; lifetime ECL)	- 65	- 118	- 70
Purchased or originated credit impaired assets	- 1	1	- 3
Of which impairment on financial assets at FVOCI	- 1	0	0
Debt securities	- 1	0	0
Stage 1 (12-month ECL)	0	0	- 1
Stage 2 (lifetime ECL)	- 1	0	1
Stage 3 (non-performing; lifetime ECL)	0	0	0
Impairment on goodwill	0	0	0
Impairment on other	- 20	- 7	- 1
Intangible fixed assets (other than goodwill)	0	- 3	0
Property, plant and equipment (including investment property)	0	- 2	0
Associated companies and joint ventures	0	0	0
Other	- 19	- 3	- 1

The stage 2 impairments include 43 million euros management overlay for collective ECL related to COVID-19. For more information, see note 1.4 of this report.

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

The impairment on other – Other include -18 million euros related to modification losses in Hungary. For more information, see note 1.4 of this report.

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

(in millions of EUR)	AC	FVOCI	MFVPL excl. HFT and overlay	Overlay	HFT	FVO	Hedging deriva-tives	Total
FINANCIAL ASSETS, 31-03-2020								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	6 429	0	0	0	0	0	0	**6 429**
of which repayable on demand and term loans at not more than three months								***559***
Loans and advances to customers (excl. reverse repos)	158 119	0	245	0	0	0	0	**158 364**
Trade receivables	1 692	0	0	0	0	0	0	**1 692**
Consumer credit	5 120	0	148	0	0	0	0	**5 269**
Mortgage loans	66 812	0	88	0	0	0	0	**66 900**
Term loans	72 189	0	9	0	0	0	0	**72 198**
Finance lease	5 815	0	0	0	0	0	0	**5 815**
Current account advances	5 263	0	0	0	0	0	0	**5 263**
Other	1 227	0	0	0	0	0	0	**1 227**
Reverse repos	29 239	0	0	0	130	0	0	**29 369**
with credit institutions and investment firms	28 854	0	0	0	130	0	0	**28 984**
with customers	385	0	0	0	0	0	0	**385**
Equity instruments	0	249	7	1 122	482	0	0	**1 861**
Investment contracts (insurance)	0	0	13 092	0	0	0	0	**13 092**
Debt securities issued by	43 868	18 178	50	0	3 220	0	0	**65 315**
Public bodies	37 636	12 034	0	0	3 119	0	0	**52 790**
Credit institutions and investment firms	3 726	2 658	0	0	21	0	0	**6 405**
Corporates	2 506	3 486	50	0	79	0	0	**6 120**
Derivatives	0	0	0	0	7 740	0	178	**7 918**
Other	1 235	0	0	0	2	0	0	**1 238**
Total	238 890	18 427	13 394	1 122	11 574	0	178	**283 586**
FINANCIAL ASSETS, 31-12-2019								
Loans and advances to credit institutions and investment firms (excl. reverse repos)	5 398	0	0	0	1	0	0	**5 399**
of which repayable on demand and term loans at not more than three months								***468***
Loans and advances to customers (excl. reverse repos)	155 598	0	218	0	0	0	0	**155 816**
Trade receivables	1 885	0	0	0	0	0	0	**1 885**
Consumer credit	5 383	0	122	0	0	0	0	**5 505**
Mortgage loans	67 711	0	85	0	0	0	0	**67 796**
Term loans	68 867	0	10	0	0	0	0	**68 877**
Finance lease	5 926	0	0	0	0	0	0	**5 926**
Current account advances	4 979	0	0	0	0	0	0	**4 979**
Other	847	0	0	0	0	0	0	**847**
Reverse repos	25 596	0	0	0	0	0	0	**25 596**
with credit institutions and investment firms	25 445	0	0	0	0	0	0	**25 445**
with customers	151	0	0	0	0	0	0	**151**
Equity instruments	0	249	7	1 431	833	0	0	**2 519**
Investment contracts (insurance)	0	0	14 584	0	0	0	0	**14 584**
Debt securities issued by	42 998	18 788	58	0	1 269	0	0	**63 114**
Public bodies	37 024	12 370	0	0	1 149	0	0	**50 542**
Credit institutions and investment firms	3 632	2 753	0	0	20	0	0	**6 405**
Corporates	2 343	3 666	58	0	99	0	0	**6 167**
Derivatives	0	0	0	0	5 163	0	158	**5 322**
Other	1 049	0	0	0	0	0	0	**1 049**
Total	230 639	19 037	14 867	1 431	7 266	0	158	**273 399**

(in millions of EUR)	AC	HFT	FVO	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-03-2020					
Deposits from credit institutions and investment firms (excl. repos)	21 211	0	0	0	**21 211**
of which repayable on demand					**8 261**
Deposits from customers and debt securities (excl. repos)	205 826	203	2 265	0	**208 293**
Demand deposits	89 906	0	0	0	**89 906**
Time deposits	14 239	42	150	0	**14 431**
Savings accounts	68 703	0	0	0	**68 703**
Special deposits	2 308	0	0	0	**2 308**
Other deposits	453	0	0	0	**453**
Certificates of deposit	12 967	0	7	0	**12 974**
Savings certificates	805	0	0	0	**805**
Non-convertible bonds	14 162	160	1 960	0	**16 282**
Non-convertible subordinated liabilities	2 284	0	148	0	**2 432**
Repos	5 408	65	0	0	**5 474**
with credit institutions and investment firms	4 591	23	0	0	**4 614**
with customers	817	43	0	0	**860**
Liabilities under investment contracts	0	0	11 979	0	**11 979**
Derivatives	0	6 305	0	1 364	**7 669**
Short positions	0	1 093	0	0	**1 093**
In equity instruments	0	15	0	0	**15**
In debt securities	0	1 078	0	0	**1 078**
Other	3 003	1	0	0	**3 004**
Total	235 448	7 667	14 244	1 364	**258 723**
FINANCIAL LIABILITIES, 31-12-2019					
Deposits from credit institutions and investment firms (excl. repos)	18 731	0	0	0	**18 731**
of which repayable on demand					**4 669**
Deposits from customers and debt securities (excl. repos)	200 607	223	2 539	0	**203 369**
Demand deposits	85 626	0	0	0	**85 626**
Time deposits	15 271	39	184	0	**15 494**
Savings accounts	69 057	0	0	0	**69 057**
Special deposits	2 465	0	0	0	**2 465**
Other deposits	542	0	0	0	**542**
Certificates of deposit	10 538	0	8	0	**10 546**
Savings certificates	1 025	0	0	0	**1 025**
Non-convertible bonds	13 756	183	2 200	0	**16 139**
Non-convertible subordinated liabilities	2 327	0	147	0	**2 474**
Repos	2 565	0	0	0	**2 565**
with credit institutions and investment firms	2 262	0	0	0	**2 262**
with customers	302	0	0	0	**303**
Liabilities under investment contracts	0	0	13 610	0	**13 610**
Derivatives	0	5 057	0	1 171	**6 227**
Short positions	0	1 708	0	0	**1 708**
In equity instruments	0	14	0	0	**14**
In debt securities	0	1 693	0	0	**1 693**
Other	2 190	0	0	0	**2 190**
Total	224 093	6 988	16 149	1 171	**248 400**

Impaired financial assets (note 4.2.1 in the annual accounts 2019)

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment	Carrying value before impairment	Impairment	Carrying value after impairment
			31-03-2020			31-12-2019
FINANCIAL ASSETS AT AMORTISED COST						
Loans and advances (*)	196 638	- 2 851	193 787	189 446	- 2 855	186 592
Stage 1 (12-month ECL)	173 214	- 132	173 082	165 326	- 131	165 195
Stage 2 (lifetime ECL)	18 075	- 299	17 775	18 558	- 254	18 304
Stage 3 (lifetime ECL)	5 174	- 2 398	2 777	5 381	- 2 444	2 937
Purchased or originated credit impaired assets (POCI)	175	- 22	153	182	- 26	155
Debt Securities	43 880	- 12	43 868	43 010	- 12	42 998
Stage 1 (12-month ECL)	43 786	- 5	43 781	42 934	- 5	42 930
Stage 2 (lifetime ECL)	87	- 2	85	69	- 2	67
Stage 3 (lifetime ECL)	7	- 6	2	7	- 6	1
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI						
Debt Securities	18 183	- 6	18 178	18 793	- 5	18 788
Stage 1 (12-month ECL)	18 033	- 4	18 029	18 771	- 4	18 767
Stage 2 (lifetime ECL)	151	- 2	149	22	- 1	22
Stage 3 (lifetime ECL)	0	0	0	0	0	0
Purchased or originated credit impaired assets (POCI)	0	0	0	0	0	0

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

Impairments on financial assets are rather stable with business as usual and Covid-19 related charges being compensated by accounting write-offs and FX-effects.

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

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

(in millions of EUR) Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
				31-03-2020				31-12-2019
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss (other than held for trading)	13 757	419	340	14 516	15 536	441	320	16 298
Held for trading	3 413	7 067	1 094	11 574	1 685	4 381	1 200	7 266
Fair value option	0	0	0	0	0	0	0	0
At fair value through OCI	14 403	3 462	562	18 427	14 945	3 630	463	19 037
Hedging derivatives	0	178	0	178	0	158	0	158
Total	31 574	11 126	1 996	44 696	32 166	8 611	1 982	42 759
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	959	5 417	1 290	7 667	1 708	3 259	2 021	6 988
Designated at fair value	11 979	597	1 668	14 244	13 610	657	1 883	16 149
Hedging derivatives	0	1 364	0	1 364	0	1 171	0	1 171
Total	12 938	7 379	2 958	23 274	15 317	5 087	3 903	24 308

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

During 1Q 2020, KBC transferred about 135 million euros' worth of financial assets and liabilities out of level 1 and into level 2. It also reclassified approximately 192 million euros' worth of financial assets and liabilities from level 2 to level 1. Most of these reclassifications were carried out due to a change in the liquidity of government and corporate bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2019)

In 1Q 2020 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 decreased by 110 million euros, due primarily to changes in fair value and instruments that had reached maturity, partly offset by new transactions.
- Financial assets measured at fair value through OCI: the fair value increased by 99 million euros largely related to debt securities, mainly due to new positions and transfers into level 3.
- Financial liabilities held for trading: the fair value of equity instruments decreased by 707 million euros, mainly due to a combination of sales of existing positions, changes in fair value and instruments that had reached maturity. The fair value of derivatives decreased by 23 million euros, due primarily to changes in fair value.
- Financial liabilities designated at fair value: the fair value of equity instruments decreased by 215 million euros, due to a combination of sales of existing positions and changes in fair value, partially offset by new transactions.

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

Quantities	31-03-2020	31-12-2019
Ordinary shares	**416 394 642**	**416 394 642**
of which ordinary shares that entitle the holder to a dividend payment	*416 394 642*	*416 394 642*
of which treasury shares	*28 373*	*38 607*
Additional information		
Par value per share (in EUR)	3.51	3.51
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels).

The treasury shares almost fully relate to positions in shares of KBC Group to hedge outstanding equity derivatives.

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

In 1Q 2020 : none

In 2019 :
On 31 May 2019, ČSOB has acquired the remaining 45% stake in **ČMSS** from Bausparkasse Schwäbisch Hall (BSH) for a total consideration of 240 million euros. As a result, ČMSS is as of 1 June 2019 fully consolidated (previously equity method).

Post-balance sheet events (note 6.8 in the annual accounts 2019)

Significant non-adjusting events between the balance sheet date (31 March 2020) and the publication of this report (14 May 2020):

During April 2020 governments and regulators have taken various further measures to address the impacts of the Covid-19 pandemic on the economy. Besides several measures in economic, social and employment areas, legal regulations requiring banks to offer payment moratoria for the repayment of loans to their retail and corporate clients have been adopted in almost all jurisdictions where KBC Group operates.

The P&L impact of all payment moratoria is not known yet, as this e.g. will depend on the number of customers who will make use of them. Other guarantee schemes and liquidity measures have been announced or have been concretized also after 31 March 2020. The Covid-19 pandemic and the consequences for the economy as well as the measures taken by governments and regulators will affect KBC Group's financial performance going forward, including potentially significant impact on credit losses, as well as impact on total income. Given the large uncertainty amongst others on the length and depth of the economic downturn, the significant number of government measures in each of our core countries, some of which still need to be worked out in detail, and the unknown amount of customers which will call upon these mitigating measures, making an estimate for the expected credit losses is extremely difficult. We will continue to monitor this closely and evaluate it further in the following quarters. We refer to note 1.4 for further details.

REPORT OF THE ACCREDITED AUDITOR TO THE BOARD OF DIRECTORS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020 AND FOR THE THREE-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 31 March 2020 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the three-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the three-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 301.451 million and a consolidated loss (attributable to equity holders of the parent) for the three-month period then ended of EUR 5 million.

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

Scope of Review

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

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Conclusion

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

Sint-Stevens-Woluwe, 13 May 2020

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group

Additional Information 1Q 2020

Section not reviewed by the Auditor

Credit risk

Snapshot of the loan portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit and standby credit granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Information specifically on sovereign bonds can be found under 'How do we manage our risks (in the annual accounts 2019)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-03-2020	31-12-2019
Portfolio outstanding + undrawn [1]	220	218
Portfolio outstanding [1]	180	175
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	66%	64%
Czech Republic	17%	18%
International Markets	15%	16%
Group Centre	2%	2%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	40.1%	41.7%
Finance and insurance	9.2%	7.6%
Authorities	3.7%	2.9%
Corporates	47.0%	47.7%
services	10.7%	10.9%
distribution	7.0%	7.3%
real estate	6.3%	6.4%
building & construction	3.8%	3.9%
agriculture, farming, fishing	2.6%	2.7%
automotive	2.6%	2.6%
food producers	1.7%	1.7%
electricity	1.6%	1.6%
metals	1.5%	1.4%
chemicals	1.4%	1.3%
machinery & heavy equipment	1.0%	1.0%
shipping	0.9%	0.8%
hotels, bars & restaurants	0.7%	0.7%
traders	0.6%	0.6%
oil, gas & other fuels	0.6%	0.6%
textile & apparel	0.6%	0.6%
electrotechnics	0.6%	0.5%
other [2]	2.9%	3.1%
Total outstanding loan portfolio geographical breakdown		
Home countries	85.1%	86.4%
Belgium	52.7%	52.9%
Czech Republic	16.8%	17.6%
Ireland	5.7%	5.9%
Slovakia	4.8%	4.9%
Hungary	3.0%	3.1%
Bulgaria	2.0%	2.0%
Rest of Western Europe	9.7%	8.6%
France	3.3%	2.7%
Netherlands	1.6%	1.6%
Great Britain	1.2%	1.1%
Spain	0.4%	0.4%
Luxemburg	0.9%	0.8%
Germany	0.8%	0.8%
other	1.6%	1.2%
Rest of Central Europe	0.4%	0.4%
Russia	0.1%	0.1%
other	0.3%	0.3%
North America	1.7%	1.5%
USA	1.1%	1.0%
Canada	0.5%	0.5%
Asia	1.6%	1.5%
China	1.0%	0.9%
Hong Kong	0.2%	0.2%
Singapore	0.1%	0.1%
other	0.3%	0.3%
Rest of the world	1.6%	1.6%

	31-03-2020	31-12-2019
Loan portfolio by counterparty (part of portfolio, as % of the portfolio of credit outstanding)		
Retail	40%	42%
of which: mortgages	37%	38%
of which: consumer finance	3%	3%
SME	21%	22%
Corporate	39%	37%
Loan portfolio by IFRS 9 ECL stage (part of portfolio, as % of the portfolio of credit outstanding)		
Stage 1 (credit risk has not increased significantly since initial recognition)	86%	85%
of which: PD 1 - 4	64%	63%
of which: PD 5 - 9 including unrated	22%	23%
Stage 2 (credit risk has increased significantly since initial recognition – not credit impaired) incl. POCI [3]	11%	11%
of which: PD 1 - 4	3%	3%
of which: PD 5 - 9 including unrated	8%	8%
Stage 3 (credit risk has increased significantly since initial recognition – credit impaired) incl. POCI [3]	3%	4%
of which: PD 10 impaired loans	1%	2%
of which: more than 90 days past due (PD 11+12)	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	5 921	6 160
of which: more than 90 days past due	3 378	3 401
Ratio of impaired loans, per business unit		
Belgium	2.2%	2.4%
Czech Republic	2.2%	2.3%
International Markets	8.2%	8.5%
Group Centre	12.6%	12.4%
Total	3.3%	3.5%
of which: more than 90 days past due	1.9%	1.9%
Stage 3 loan loss impairments (in millions of EUR) and Cover ratio (%)		
Stage 3 loan loss impairments	2 568	2 584
of which: more than 90 days past due	2 042	2 050
Cover ratio of impaired loans		
Stage 3 loan loss impairments / impaired loans	43%	42%
of which: more than 90 days past due	60%	60%
Cover ratio of impaired loans, mortgage loans excluded		
Stage 3 loan loss impairments / impaired loans, mortgage loans excluded	53%	50%
of which: more than 90 days past due	71%	72%
Credit cost, by business unit (%)		
Belgium	0.40%	0.22%
Czech Republic	0.10%	0.04%
International Markets	0.08%	-0.07%
Slovakia	0.30%	0.14%
Hungary	-0.12%	-0.02%
Bulgaria	0.31%	0.14%
Ireland	-0.06%	-0.32%
Group Centre	-1.07%	-0.88%
Total	0.27%	0.12%

[1] Outstanding portfolio includes all on-balance sheet commitments and off-balance sheet guarantees but excludes off-balance sheet undrawn commitments; the amounts are measured in Gross Carrying Amounts;
[2] Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors
[3] Purchased or originated credit impaired assets

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

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

Loan portfolio per business unit (banking activities)

Legend:

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

  Cover ratio impaired loans: stage 3 impairments / impaired loans

Loan portfolio Business Unit Belgium 31-03-2020, in millions of EUR	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total portfolio outstanding	**109 928**			**8 473**			**118 400**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	41 801	38,0%		8 473	100,0%		50 274	42,5%	
retail	68 126	62,0%		0	0,0%		68 126	57,5%	
o/w private	37 035	33,7%		0	0,0%		37 035	31,3%	
o/w companies	31 092	28,3%		0	0,0%		31 092	26,3%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	35 346	32,2%	56%	0	0,0%	-	35 346	29,9%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w ind. LTV > 100%	580	0,5%	-	0	0,0%	-	580	0,5%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	84 927	77,3%		5 023	59,3%		89 950	76,0%	
medium risk (PD 5-7; 0.80%-6.40%)	19 053	17,3%		3 152	37,2%		22 205	18,8%	
high risk (PD 8-9; 6.40%-100.00%)	3 224	2,9%		125	1,5%		3 349	2,8%	
impaired loans (PD 10 - 12)	2 439	2,2%		170	2,0%		2 609	2,2%	
unrated	285	0,3%		3	0,0%		288	0,2%	
Overall risk indicators		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	2 439	1 056	43,3%	170	116	68,3%	2 609	1 172	44,9%
o/w PD 10 impaired loans	1 210	299	24,7%	76	46	60,1%	1 287	345	26,8%
o/w more than 90 days past due (PD 11+12)	1 229	757	61,6%	94	70	75,0%	1 323	827	62,6%
all impairments (stage 1+2+3)	1 285			133			1 418		
o/w stage 1+2 impairments (incl. POCI)	229			17			246		
o/w stage 3 impairments (incl. POCI)	1 056			116			1 172		
2019 Credit cost ratio (CCR)	0,20%			0,41%			0,22%		
YTD 2020 CCR	0,42%			0,14%			0,40%		

Remarks

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

Loan portfolio Business Unit Czech Republic

31-03-2020, in millions of EUR

Total portfolio outstanding	**30 666**		
Counterparty break down		% outst.	
SME / corporate	8 661	28.2%	
retail	22 006	71.8%	
o/w private	17 355	56.6%	
o/w companies	4 651	15.2%	
Mortgage loans		% outst.	ind. LTV
total	15 201	49.6%	61%
o/w FX mortgages	0	0.0%	-
o/w ind. LTV > 100%	209	0.7%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	17 700	57.7%	
medium risk (PD 5-7; 0.80%-6.40%)	11 116	36.2%	
high risk (PD 8-9; 6.40%-100.00%)	1 170	3.8%	
impaired loans (PD 10 - 12)	666	2.2%	
unrated	13	0.0%	
Overall risk indicators [1]		stage 3 imp.	% cover
outstanding impaired loans	666	315	47.2%
o/w PD 10 impaired loans	307	74	24.2%
o/w more than 90 days past due (PD 11+12)	360	241	66.9%
all impairments (stage 1+2+3)	421		
o/w stage 1+2 impairments (incl. POCI)	106		
o/w stage 3 impairments (incl. POCI)	315		
2019 Credit cost ratio (CCR)	0.04%		
YTD 2020 CCR	0.10%		

[1] CCR at country level in local currency

Loan portfolio Business Unit International Markets
31-03-2020, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total portfolio outstanding	**10 088**			**8 329**			**5 381**			**3 584**			**27 383**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	25	0.2%		3 078	37.0%		3 323	61.7%		1 193	33.3%		7 618	27.8%	
retail	10 063	99.8%		5 251	63.0%		2 058	38.3%		2 392	66.7%		19 764	72.2%	
o/w private	10 026	99.4%		4 277	51.3%		1 908	35.5%		1 375	38.4%		17 586	64.2%	
o/w companies	37	0.4%		974	11.7%		150	2.8%		1 016	28.4%		2 178	8.0%	
Mortgage loans		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	9 959	98.7%	66%	3 778	45.4%	67%	1 513	28.1%	67%	729	20.3%	65%	15 978	58.4%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	4	0.1%	83%	86	2.4%	67%	90	0.3%	
o/w ind. LTV > 100%	689	6.8%	-	35	0.4%	-	86	1.6%	-	32	0.9%	-	842	3.1%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	890	8.8%		5 244	63.0%		2 795	51.9%		1 013	28.3%		9 942	36.3%	
medium risk (PD 5-7; 0.80%-6.40%)	6 783	67.2%		2 319	27.8%		2 244	41.7%		1 917	53.5%		13 263	48.4%	
high risk (PD 8-9; 6.40%-100.00%)	831	8.2%		596	7.2%		205	3.8%		290	8.1%		1 921	7.0%	
impaired loans (PD 10 - 12)	1 585	15.7%		149	1.8%		136	2.5%		364	10.1%		2 234	8.2%	
unrated	0	0.0%		21	0.2%		1	0.0%		0	0.0%		22	0.1%	
Overall risk indicators[1]		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover		stage 3 imp.	% cover
outstanding impaired loans	1 585	387	24.4%	149	101	67.3%	136	75	54.7%	364	162	44.7%	2 234	725	32.4%
o/w PD 10 impaired loans	770	68	8.8%	20	7	36.0%	37	12	31.4%	66	8	12.8%	894	95	10.6%
o/w more than 90 days past due (PD 11+12)	815	319	39.2%	129	93	72.2%	99	63	63.4%	297	154	51.8%	1 341	630	47.0%
all impairments (stage 1+2+3)	403			150			95			186			833		
o/w stage 1+2 impairments (incl. POCI)	16			49			21			23			109		
o/w stage 3 impairments (incl. POCI)	387			101			75			162			725		
2019 Credit cost ratio (CCR)	-0.32%			0.14%			-0.02%			0.14%			-0.07%		
YTD 2020 CCR	-0.06%			0.30%			-0.12%			0.31%			0.08%		

Remarks

[1] CCR at country level in local currency

Loan portfolio Group Centre[1]
31-03-2020, in millions of EUR

Total portfolio outstanding	**3 253**		
Counterparty break down		% outst.	
SME / corporate	3 253	100,0%	
retail	0	0,0%	
o/w private	0	0,0%	
o/w companies	0	0,0%	
Mortgage loans		% outst.	ind. LTV
total	0	0,0%	-
o/w FX mortgages	0	0,0%	-
o/w ind. LTV > 100%	0	0,0%	-
Probability of default (PD)		% outst.	
low risk (PD 1-4; 0.00%-0.80%)	2 641	81,2%	
medium risk (PD 5-7; 0.80%-6.40%)	156	4,8%	
high risk (PD 8-9; 6.40%-100.00%)	44	1,4%	
impaired loans (PD 10 - 12)	411	12,6%	
unrated	0	0,0%	
Overall risk indicators		stage 3 imp.	% cover
outstanding impaired loans	411	356	86,7%
o/w PD 10 impaired loans	56	12	22,3%
o/w more than 90 days past due (PD 11+12)	355	344	96,8%
all impairments (stage 1+2+3)	361		
o/w stage 1+2 impairments (incl. POCI)	4		
o/w stage 3 impairments (incl. POCI)	356		
2019 Credit cost ratio (CCR)	-0,88%		
YTD 2020 CCR	-1,07%		

Remarks

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

Solvency[1][2]

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

Solvency KBC Group

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

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

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

The overall capital requirement (CET1) that KBC is to uphold is set at 10.55% (fully loaded, Danish Compromise which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (2.50% Capital Conservation Buffer, 1.50% Systemic Buffer and 0.30% Countercyclical Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%.

ECB temporarily allows banks to operate below the P2G and Capital Conservation Buffer and hence to use these buffers to withstand potential stress. This temporarily brings the regulatory minimum to 8.05% (being 10.55% – 2.5%). ECB does not have any discretion to waive the application of automatic restrictions to distributions (MDA) as they are set out in the CRR/CRD package. Therefore, the CCB remains included in the threshold for MDA).

(1) Fully in line with the European Central Bank recommendation that at least until 1 October 2020 no dividends are paid out and no irrevocable commitment to pay out dividends is udertaken by the credit institutions for the financial year 2019 and 2020 and that credit institutions refrain from share buy-backs aimed at remunerating shareholders, the KBC Board of Directors has communicated on 30 March 2020:

- *to withdraw the proposal of the Annual Shareholders' meeting of 7 May 2020 to declare a final total (gross) dividend over 2019 profit of 2.5 EUR per share (after an interim dividend of 1 EUR per share was paid in November 2019 already)*
- *to evaluate in October 2020 wether all or part of the withdrawn final dividend should as yet be paid out later this year(2020) in the form of an interim dividend*
- *to cancel the proposed share buy-back program of 5.5 million shares*

in deviation from what was announced in the press release of 13 February 2020 at the occasion of the 4th quarter 2019 results publication.

(2) In line with the ECB recommendation we intend to apply (subject to approval) the IFRS 9 transitional measures going forward.

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

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

Buffer vs. Overall Capital Requirement (in millions of EUR)		**31/03/2020**		**31/12/2019**
(consolidated; under CRR/CRD IV, Danish compromise method)	***Fully loaded***	**Actuals**	***Fully loaded***	**Actuals**
CET1 Pillar 1 minimum	4,50%	4,50%	4,50%	4,50%
Pillar 2 requirement	1,75%	1,75%	1,75%	1,75%
Capital conservation buffer	2,50%	2,50%	2,50%	2,50%
Buffer for systemically important institutions (O-SII)	1,50%	1,50%	1,50%	1,50%
Entity-specific countercyclical buffer	0,30%	0,46%	0,30%	0,43%
Overall Capital Requirement (OCR)	**10,55%**	**10,71%**	**10,55%**	**10,68%**
CET1 used to satisfy shortfall in AT1 bucket	0,04%	0,04%	0,00%	0,00%
CET1 used to satisfy shortfall in T2 bucket	0,10%	0,10%	0,05%	0,05%
CET1 requirement	**10,69%**	**10,85%**	**10,60%**	**10,74%**
CET1 capital	16 729	16 729	16 989	16 989
CET1 buffer (= buffer to MDA)	5 782	5 615	6 486	6 353

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

Overview of KBC Group's capital ratios (in millions of EUR) 31-03-2020		**numerator (common equity)**	**denominator (total weighted risk volume)**	**ratio (%)**
CRDIV, Common Equity ratio				
Danish Compromise	Fully loaded	16 729	102 425	16.33%
Deduction Method	Fully loaded	15 938	97 485	16.35%
Financial Conglomerates Directive	Fully loaded	17 132	112 317	15.25%

KBC’s CET1 ratio of 16.3% at end 1Q20 represents a solid capital buffer:

- 8.3% capital buffer compared with the current theoretical minimum capital requirement of 8.05% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
- 5.8% capital buffer compared with the Overall Capital Requirement (OCR) of 10.55% (which still includes the 2.5% capital conservation buffer on top of the 8.05%)

Danish Compromise

In millions of EUR	31-03-2020 Fully loaded	31-12-2019 Fully loaded
Total regulatory capital (after profit appropriation)	20 172	20 414
Tier-1 capital	18 229	18 489
Common equity	16 729	16 989
Parent shareholders' equity (after deconsolidating KBC Insurance)	17 640	17 933
Intangible fixed assets (incl deferred tax impact) (-)	- 721	- 726
Goodwill on consolidation (incl deferred tax impact) (-)	- 720	- 766
Minority interests	0	0
Hedging reserve (cash flow hedges) (-)	1 355	1 331
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 30	- 9
Value adjustment due to the requirements for prudent valuation (-)	- 132	- 54
Dividend payout (-)	0	0
Renumeration of AT1 instruments (-)	- 15	- 11
Deduction re. financing provided to shareholders (-)	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 45	- 45
IRB provision shortfall (-)	- 110	- 140
Deferred tax assets on losses carried forward (-)	- 437	- 467
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0
Additional going concern capital	1 500	1 500
CRR compliant AT1 instruments	1 500	1 500
Minority interests to be included in additional going concern capital	0	0
Tier 2 capital	1 943	1 925
IRB provision excess (+)	149	130
Subordinated liabilities	1 794	1 795
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier 2 capital	0	0
Total weighted risk volume	102 425	99 071
Banking	92 907	89 838
Insurance	9 133	9 133
Holding activities	398	124
Elimination of intercompany transactions	- 14	- 25
Solvency ratios		
Common equity ratio	16.33%	17.15%
Tier-1 ratio	17.80%	18.66%
Total capital ratio	19.69%	20.61%

At 31 March 2020, our fully loaded common equity ratio (Basel III, under the Danish compromise) amounted to 16.3%, compared to 17.1% at the end of 2019. The 0.8 percentage point decrease was mainly Corona-related (0.5 percentage points).

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	31-03-2020	31-12-2019
Tier-1 capital (Danish compromise)	18 229	18 489
Total exposures	281 748	273 029
Total Assets	301 451	290 735
Deconsolidation KBC Insurance	-31 417	-33 243
Adjustment for derivatives	-6 453	-2 882
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 221	-2 254
Adjustment for securities financing transaction exposures	1 133	638
Off-balance sheet exposures	19 255	20 035
Leverage ratio	6.47%	6.77%

Solvency banking and insurance activities separately

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

KBC Bank consolidated - CRDIV/CRR (in millions of EUR)	31-03-2020	31-12-2019
Total regulatory capital, after profit appropriation	16 370	16 660
Tier-1 capital	14 400	14 704
Of which common equity	*12 900*	*13 204*
Tier-2 capital	1 969	1 957
Total weighted risks	92 907	89 838
Credit risk	78 467	75 786
Market risk	3 100	2 713
Operational risk	11 340	11 340
Solvency ratios		
Common equity ratio	13.9%	14.7%
Tier-1 ratio	15.5%	16.4%
CAD ratio	17.6%	18.5%

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-03-2020	31-12-2019
Own Funds	3 221	3 496
Tier 1	2 721	2 996
IFRS Parent shareholders equity	3 055	3 422
Dividend payout	- 156	- 156
Deduction intangible assets and goodwill (after tax)	- 128	- 128
Valuation differences (after tax)	- 579	- 196
Volatility adjustment	574	104
Other	- 44	- 49
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 522	1 727
Market risk	1 100	1 389
Non-life	559	579
Life	679	689
Health	256	264
Counterparty	127	114
Diversification	- 940	- 991
Other	- 260	- 316
Solvency II ratio	212%	202%

Minimum requirement for own funds and eligible liabilities (MREL)

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

The Eligible instruments to satisfy the MREL target are defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16th January 2019. The so-called 'consolidated approach' (instruments issued by any entity within the resolution group were accepted by SRB to satisfy the MREL target) is replaced by a more restrictive 'hybrid approach'. This approach excludes MREL eligible liabilities that have not been issued by KBC Group NV (insofar as they do not constitute own funds) and requires tier-2 capital down-streamed by KBC Group NV to KBC Insurance to be deducted from MREL (in line with the treatment under CRR/CRD). At year-end 2019, 1 billion euro of instruments are no longer eligible for SRB to satisfy the MREL.

At the end of March 2020, the MREL ratio based on instruments issued by KBC Group NV following the 'hybrid approach' stands at 10.0% of TLOF. The latter is above the SRB requirement for KBC to achieve 9.67% as % of TLOF by year-end 2021.

Income statement, volumes and ratios per business unit

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

Business Unit Belgium						
(in millions of EUR)	**1Q 2020**	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	640	2 516	634	637	621	625
Non-life insurance before reinsurance	112	494	160	129	111	94
Earned premiums Non-life	283	1 115	285	284	275	270
Technical charges Non-life	-172	-621	-125	-156	-165	-175
Life insurance before reinsurance	-21	-95	-21	-25	-24	-25
Earned premiums Life	216	1 000	282	217	233	268
Technical charges Life	-237	-1 095	-303	-242	-256	-293
Ceded reinsurance result	-9	-2	-10	-5	4	8
Dividend income	11	78	15	14	38	11
Net result from financial instruments at fair value through profit or loss	-217	177	89	-9	43	54
Net realised result from debt instr FV through OCI	0	4	0	4	0	0
Net fee and commission income	308	1 182	307	297	293	286
Net other income	35	187	41	51	50	45
TOTAL INCOME	858	4 542	1 216	1 092	1 135	1 099
Operating expenses	-828	-2 485	-550	-552	-575	-807
Impairment	-117	-244	-109	-21	-31	-83
On financial assets at amortised cost and at FV through OCI	-116	-241	-107	-21	-30	-82
On other	0	-4	-2	0	-1	-1
Share in results of associated companies and joint ventures	-3	-6	-2	-2	-2	-1
RESULT BEFORE TAX	-90	1 807	556	517	526	208
Income tax expense	4	-463	-145	-149	-138	-32
RESULT AFTER TAX	-86	1 344	412	368	388	176
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**-86**	**1 344**	**412**	**368**	**388**	**176**
Banking	-55	979	301	287	289	102
Insurance	-30	364	111	81	99	74
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	104 969	100 909	100 909	100 945	101 125	100 686
of which Mortgage loans (end of period)	36 489	36 445	36 445	35 832	35 674	35 234
Customer deposits and debt certificates excl. repos (end of period)	138 045	130 771	130 771	134 355	128 544	134 382
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	13 074	13 130	13 130	13 097	13 144	13 141
Unit-Linked (end of period)	12 064	13 426	13 426	13 281	13 201	13 156
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	54 098	49 486	49 486	49 985	48 959	49 403
Required capital, insurance (end of period)	1 296	1 497	1 497	1 572	1 508	1 506
Allocated capital (end of period)	7 003	6 792	6 792	6 920	6 747	6 792
Return on allocated capital (ROAC)	-5%	20%	24%	22%	23%	11%
Cost/income ratio, banking	95%	58%	48%	53%	54%	78%
Combined ratio, non-life insurance	95%	89%	82%	91%	91%	93%
Net interest margin, banking	1,68%	1,69%	1,68%	1,68%	1,67%	1,71%

Business Unit Czech Republic (in millions of EUR)	**1Q 2020**	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	351	1 277	338	329	308	302
Non-life insurance before reinsurance	31	115	30	29	27	29
Earned premiums Non-life	75	281	73	72	70	66
Technical charges Non-life	-44	-166	-43	-43	-42	-37
Life insurance before reinsurance	14	54	12	13	15	14
Earned premiums Life	52	228	58	53	61	56
Technical charges Life	-39	-174	-45	-40	-46	-42
Ceded reinsurance result	0	-5	0	0	-2	-3
Dividend income	0	1	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-125	-85	8	-56	-34	-3
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	55	254	59	70	67	58
Net other income	9	102	3	2	84	13
TOTAL INCOME	335	1 714	451	388	465	410
Operating expenses	-221	-770	-200	-187	-179	-204
Impairment	-9	-17	-3	-9	-7	1
On financial assets at amortised cost and at FV through OCI	-8	-12	-1	-9	-4	2
On other	-1	-4	-1	0	-3	0
Share in results of associated companies and joint ventures	0	8	0	0	4	4
RESULT BEFORE TAX	105	935	248	192	283	212
Income tax expense	-17	-146	-43	-33	-35	-35
RESULT AFTER TAX	88	789	205	159	248	177
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**88**	**789**	**205**	**159**	**248**	**177**
Banking	75	743	194	147	237	164
Insurance	13	47	11	12	11	13
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	28 286	29 857	29 857	29 200	28 711	23 685
of which Mortgage loans (end of period)	14 876	15 768	15 768	15 267	15 267	11 375
Customer deposits and debt certificates excl. repos (end of period)	37 627	39 559	39 559	38 170	38 536	32 210
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	588	629	629	616	621	613
Unit-Linked (end of period)	655	727	727	700	698	689
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	15 349	15 005	15 005	14 916	14 670	14 334
Required capital, insurance (end of period)	126	121	121	121	124	125
Allocated capital (end of period)	1 745	1 726	1 726	1 717	1 694	1 659
Return on allocated capital (ROAC)	20%	47%	48%	38%	60%	43%
Cost/income ratio, banking	68%	44%	44%	48%	38%	50%
Combined ratio, non-life insurance	90%	94%	94%	94%	96%	93%
Net interest margin, banking (*)	2,98%	3,04%	2,90%	2,93%	3,18%	3,25%

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

Business Unit International Markets						
(in millions of EUR)	**1Q 2020**	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	219	863	219	216	214	213
Non-life insurance before reinsurance	40	136	35	32	35	35
Earned premiums Non-life	82	315	80	80	78	77
Technical charges Non-life	-43	-179	-45	-48	-43	-42
Life insurance before reinsurance	8	36	11	7	10	9
Earned premiums Life	29	95	24	21	23	27
Technical charges Life	-21	-60	-14	-14	-14	-18
Ceded reinsurance result	-3	-8	-1	-2	-3	-2
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-5	48	23	5	10	10
Net realised result from debt instr FV through OCI	0	2	0	1	0	1
Net fee and commission income	69	301	78	77	77	68
Net other income	6	-11	4	-16	-2	3
TOTAL INCOME	333	1 367	370	321	340	336
Operating expenses	-268	-932	-248	-212	-212	-260
Impairment	-24	12	18	-6	-7	7
On financial assets at amortised cost and at FV through OCI	-6	18	22	-5	-6	8
On other	-18	-6	-4	-1	-1	0
Share in results of associated companies and joint ventures	0	5	1	1	1	1
RESULT BEFORE TAX	42	452	141	104	122	85
Income tax expense	-7	-73	-22	-19	-18	-15
RESULT AFTER TAX	35	379	119	85	104	70
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**35**	**379**	**119**	**85**	**104**	**70**
Banking	19	329	107	75	91	56
Insurance	16	49	12	11	13	14
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	25 109	25 050	25 050	24 718	24 333	24 146
of which Mortgage loans (end of period)	15 536	15 584	15 584	15 357	15 178	14 955
Customer deposits and debt certificates excl. repos (end of period)	23 197	24 041	24 041	22 939	22 970	23 063
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	254	255	255	258	262	261
Unit-Linked (end of period)	373	432	432	414	420	417
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	21 507	20 892	20 892	21 068	21 019	21 004
Required capital, insurance (end of period)	123	124	124	123	117	114
Allocated capital (end of period)	2 391	2 359	2 359	2 377	2 366	2 361
Return on allocated capital (ROAC)	6%	16%	20%	14%	18%	12%
Cost/income ratio, banking	84%	70%	68%	67%	64%	80%
Combined ratio, non-life insurance	82%	88%	89%	93%	88%	84%
Net interest margin, banking	2,61%	2,64%	2,60%	2,61%	2,65%	2,69%

Hungary (in millions of EUR)	**1Q 2020**	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	62	254	64	64	64	62
Non-life insurance before reinsurance	14	48	14	10	12	12
Earned premiums Non-life	39	145	37	36	35	37
Technical charges Non-life	-25	-97	-22	-26	-24	-26
Life insurance before reinsurance	1	8	2	2	2	2
Earned premiums Life	9	17	4	4	4	4
Technical charges Life	-8	-9	-2	-2	-2	-3
Ceded reinsurance result	-1	-2	0	-1	0	-1
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	2	33	9	6	8	10
Net realised result from debt instr FV through OCI	0	1	0	1	0	0
Net fee and commission income	49	215	56	55	55	48
Net other income	2	2	0	0	0	1
TOTAL INCOME	130	558	146	137	142	133
Operating expenses	-101	-353	-87	-83	-81	-102
Impairment	-16	-1	-3	-1	3	0
On financial assets at amortised cost and at FV through OCI	2	1	-2	-1	3	0
On other	-18	-2	-1	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	13	204	57	53	64	31
Income tax expense	-4	-31	-7	-8	-9	-6
RESULT AFTER TAX	10	173	50	45	55	25
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**10**	**173**	**50**	**45**	**55**	**25**
Banking	2	156	44	41	50	21
Insurance	8	18	6	4	4	4
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	4 534	4 623	4 623	4 522	4 527	4 395
of which Mortgage loans (end of period)	1 467	1 596	1 596	1 558	1 602	1 581
Customer deposits and debt certificates excl. repos (end of period)	7 435	7 953	7 953	7 140	7 388	7 484
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	48	52	52	52	55	55
Unit-Linked (end of period)	243	291	291	280	285	284
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 555	6 415	6 415	6 480	6 320	6 826
Required capital, insurance (end of period)	44	48	48	47	43	43
Allocated capital (end of period)	735	735	735	740	719	773
Return on allocated capital (ROAC)	5%	23%	27%	24%	29%	13%
Cost/income ratio, banking	82%	64%	61%	62%	58%	79%
Combined ratio, non-life insurance	84%	90%	87%	96%	90%	89%

Slovakia (in millions of EUR)	1Q 2020	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	50	204	51	51	50	52
Non-life insurance before reinsurance	7	28	7	7	7	7
Earned premiums Non-life	12	47	12	12	12	11
Technical charges Non-life	-5	-19	-5	-5	-4	-4
Life insurance before reinsurance	3	12	4	2	3	3
Earned premiums Life	9	43	12	10	10	11
Technical charges Life	-7	-30	-7	-7	-7	-8
Ceded reinsurance result	0	-2	-1	0	-1	0
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-8	4	10	-5	-2	0
Net realised result from debt instr FV through OCI	0	1	0	0	0	1
Net fee and commission income	15	65	16	16	16	15
Net other income	3	9	4	2	1	2
TOTAL INCOME	70	322	93	74	75	80
Operating expenses	-59	-211	-53	-52	-51	-55
Impairment	-6	-11	6	-6	-8	-3
On financial assets at amortised cost and at FV through OCI	-6	-11	5	-6	-8	-3
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	4	100	46	16	15	23
Income tax expense	-1	-21	-8	-4	-4	-5
RESULT AFTER TAX	4	79	38	12	11	18
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**4**	**79**	**38**	**12**	**11**	**18**
Banking	1	69	36	10	8	15
Insurance	3	10	2	2	3	3
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	7 607	7 506	7 506	7 471	7 316	7 177
of which Mortgage loans (end of period)	3 714	3 641	3 641	3 593	3 482	3 381
Customer deposits and debt certificates excl. repos (end of period)	6 287	6 480	6 480	6 438	6 236	6 270
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	114	114	114	114	115	114
Unit-Linked (end of period)	89	100	100	97	104	106
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	5 123	4 985	4 985	5 030	4 960	5 121
Required capital, insurance (end of period)	26	27	27	28	26	24
Allocated capital (end of period)	567	560	560	566	557	572
Return on allocated capital (ROAC)	3%	14%	27%	8%	8%	13%
Cost/income ratio, banking	88%	66%	56%	71%	71%	70%
Combined ratio, non-life insurance	82%	85%	94%	84%	81%	82%

Bulgaria (in millions of EUR)	**1Q 2020**	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	36	141	36	36	35	35
Non-life insurance before reinsurance	18	60	13	15	16	16
Earned premiums Non-life	31	122	31	32	31	29
Technical charges Non-life	-13	-62	-18	-17	-15	-12
Life insurance before reinsurance	4	16	4	3	4	4
Earned premiums Life	11	36	9	8	9	11
Technical charges Life	-7	-21	-4	-5	-5	-7
Ceded reinsurance result	-2	-5	0	-2	-2	-2
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	15	3	4	4	4
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	6	24	5	6	6	6
Net other income	0	1	1	1	0	0
TOTAL INCOME	62	252	63	63	63	63
Operating expenses	-48	-139	-33	-30	-29	-47
Impairment	-3	-9	0	-6	-1	-2
On financial assets at amortised cost and at FV through OCI	-3	-5	4	-6	-1	-2
On other	0	-4	-3	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	11	104	31	26	33	15
Income tax expense	-1	-11	-3	-3	-3	-2
RESULT AFTER TAX	10	93	27	23	29	13
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**10**	**93**	**27**	**23**	**29**	**13**
Banking	4	76	24	20	24	7
Insurance	6	17	3	3	5	6
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	3 213	3 161	3 161	3 064	2 927	2 826
of which Mortgage loans (end of period)	703	693	693	675	659	645
Customer deposits and debt certificates excl. repos (end of period)	4 497	4 439	4 439	4 216	4 291	4 286
Technical provisions plus unit-linked, life insurance						
Interest Guaranteed (end of period)	92	89	89	91	92	91
Unit-Linked (end of period)	41	41	41	37	31	27
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	3 770	3 413	3 413	3 338	3 554	3 237
Required capital, insurance (end of period)	53	49	49	48	48	47
Allocated capital (end of period)	450	414	414	405	428	393
Return on allocated capital (ROAC)	9%	23%	27%	24%	30%	14%
Cost/income ratio, banking	86%	56%	51%	47%	46%	81%
Combined ratio, non-life insurance	82%	88%	89%	91%	89%	82%

Ireland (in millions of EUR)	**1Q 2020**	**FY 2019**	**4Q 2019**	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	71	263	67	66	65	65
Non-life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Non-life	0	0	0	0	0	0
Technical charges Non-life	0	0	0	0	0	0
Life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Life	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	2	-4	0	0	0	-3
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	-1	-2	0	0	-1	-1
Net other income	0	-23	-1	-18	-4	0
TOTAL INCOME	71	235	67	48	61	60
Operating expenses	-60	-229	-75	-47	-51	-56
Impairment	2	33	14	7	0	12
On financial assets at amortised cost and at FV through OCI	1	33	14	7	0	12
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	13	39	6	8	10	16
Income tax expense	-2	-10	-3	-3	-1	-2
RESULT AFTER TAX	12	29	2	4	9	14
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**12**	**29**	**2**	**4**	**9**	**14**
Banking	12	29	2	4	9	14
Insurance	0	0	0	0	0	0
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	9 754	9 760	9 760	9 661	9 562	9 748
of which Mortgage loans (end of period)	9 651	9 654	9 654	9 531	9 435	9 348
Customer deposits and debt certificates excl. repos (end of period)	4 978	5 169	5 169	5 145	5 056	5 022
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	6 057	6 077	6 077	6 216	6 182	5 817
Allocated capital (end of period)	639	650	650	665	661	622
Return on allocated capital (ROAC)	7%	4%	1%	3%	5%	9%
Cost/income ratio, banking	83%	97%	113%	98%	84%	93%

Group centre - Breakdown net result (in millions of EUR)	1Q 2020	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Operational costs of the Group activities	-15	-80	-34	-14	-14	-18
Capital and treasury management	-11	-26	-8	-9	-7	-3
Holding of participations	-3	9	-2	1	21	-11
Results companies in rundown	3	24	2	12	5	4
Other	-18	51	9	9	-1	34
Total net result for the Group centre	-43	-23	-33	0	4	7

Group Centre (in millions of EUR)	1Q 2020	FY 2019	4Q 2019	3Q 2019	2Q 2019	1Q 2019
Breakdown P&L						
Net interest income	-16	-38	-9	-8	-11	-11
Non-life insurance before reinsurance	2	10	4	2	2	3
Earned premiums Non-life	2	10	2	3	3	2
Technical charges Non-life	0	0	1	-2	-1	1
Life insurance before reinsurance	0	0	0	0	0	0
Earned premiums Life	0	0	0	0	0	0
Technical charges Life	0	0	0	0	0	0
Ceded reinsurance result	5	-9	0	-1	2	-10
Dividend income	1	3	1	0	1	1
Net result from financial instruments at fair value through profit or loss	-39	41	10	14	-21	38
Net realised result from debt instr FV through OCI	0	0	0	0	0	0
Net fee and commission income	-2	-3	0	0	-1	-2
Net other income	0	3	-2	5	2	-2
TOTAL INCOME	-48	6	4	12	-27	17
Operating expenses	-21	-116	-48	-23	-21	-24
Impairment	9	32	11	10	5	6
On financial assets at amortised cost and at FV through OCI	9	32	11	10	5	6
On other	0	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0
RESULT BEFORE TAX	-60	-78	-32	-1	-43	-2
Income tax expense	18	55	-1	1	47	9
RESULT AFTER TAX	-43	-23	-33	0	4	7
Attributable to minority interest	0	0	0	0	0	0
Attributable to equity holders of the parent	**-43**	**-23**	**-33**	**0**	**4**	**7**
Of which banking	-49	1	-17	5	0	12
Of which holding	3	-25	-26	-1	3	-1
Of which insurance	4	2	10	-4	1	-4
Breakdown Loans and deposits						
Total customer loans excluding reverse repo (end of period)	0	1	1	0	0	0
of which Mortgage loans (end of period)	0	0	0	0	0	0
Customer deposits and debt certificates excl. repos (end of period)	9 426	8 999	8 999	9 806	9 089	8 332
Performance Indicators						
Risk-weighted assets, banking (end of period, Basel III fully loaded)	2 339	4 554	4 554	2 266	2 607	2 652
Risk-weighted assets, insurance (end of period, Basel III fully loaded)	9 133	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period)	-22	-15	-15	2	5	6
Allocated capital (end of period)	224	473	473	245	284	290

Details of ratios and terms on KBC Group level

Basic and diluted earnings per share

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

Calculation (in millions of EUR)	Reference	1Q 2020	2019	1Q 2019
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	- 5	2 489	430
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 56	- 21
/				
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	416	416	416
or				
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		416	416	416
Basic = (A-B) / (C) (in EUR)		-0.04	5.85	0.98
Diluted = (A-B) / (D) (in EUR)		-0.04	5.85	0.98

Combined ratio (non-life insurance)

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	275	1 006	267
/				
Earned insurance premiums (B)	Note 3.7.1	436	1 693	409
+				
Operating expenses (C)	Note 3.7.1	145	526	141
/				
Written insurance premiums (D)	Note 3.7.1	543	1 728	512
= (A/B)+(C/D)		89.7%	89.9%	92.7%

Common equity ratio

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

Calculation (in millions of EUR or %)	1Q 2020	2019	1Q 2019
Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'			
Fully loaded	16.3%	17.1%	15.7%

The common equity ratio at the end of 2019 has been restated taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 euros per share, as communicated by the KBC Board of Directors on 30 March 2020.

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Cost/income ratio				
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	1 212	3 800	1 161
/				
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	1 326	6 563	1 617
=(A) / (B)		91.4%	57.9%	71.8%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. The adjustments include: MTM ALM derivatives (fully excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 69% in 1Q 2020 (versus 57% in 1Q 2019).

Cover ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	2 568	2 584	3 223
/				
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 921	6 160	7 108
= (A) / (B)		43.4%	42.0%	45.3%

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Net changes in impairment for credit risks (A)	'Consolidated income statement': component of 'Impairment'	120	204	68
/				
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	177 566	170 128	165 440
= (A) (annualised) / (B)		0.27%	0.12%	0.16%

The credit cost ratio as of 1Q2020 includes a management overlay of 43 million euros related to COVID-19 stress applied on a certain number of (sub)sectors (see detail in note 1.4). Excluding this management overlay, the credit cost ratio amounts to 0.17%.

Impaired loans ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 921	6 160	7 108
/				
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	179 702	175 431	166 055
= (A) / (B)		3.3%	3.5%	4.3%

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Regulatory available tier-1 capital (A)	Leverage ratio KBC Group (Basel III fully loaded table in the 'Leverage KBC Group' section)	18 229	18 489	16 612
/				
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Leverage ratio KBC Group (Basel III fully loaded table in the 'Leverage KBC Group' section)	281 748	273 029	274 613
= (A) / (B)		6.5%	6.8%	6.0%

The leverage ratio at the end of 2019 has been restated taking into account the withdrawel of the final gross dividend over 2019 profit of 2.5 euros per share, as communicated by the KBC Board of Directors on 30 March 2020.

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 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	73 621	74 884	79 450
/				
Total net cash outflows over the next 30 calendar days (B)		54 541	54 415	56 850
= (A) / (B)		135%	138%	140%

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

Loan Portfolio

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	158 364	155 816	148 517
+				
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	3 562	1 559	637
+				
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 180	5 894	5 603
+				
Other exposures to credit institutions (D)		4 869	4 629	4 954
+				
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	8 419	8 160	8 596
+				
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 862	2 866	3 539
+				
Insurance entities (G)	Note 4.1, component of 'Loans and advances to customers'	- 2 289	- 2 288	- 2 320
+				
Non-loan-related receivables (H)		- 1 112	- 738	- 934
+				
Other (I)	Component of Note 4.1	- 1 153	- 468	- 2 537
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		179 702	175 431	166 055

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Net interest income of the banking activities (A)	'Consolidated income statement': component of 'Net interest income'	983	3 853	942
/				
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	200 063	194 731	190 157
= (A) (annualised x360/number of calendar days) / (B)		1.97%	1.95%	1.98%

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

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Available amount of stable funding (A)	Basel III, the net stable funding ratio (Basel Committee on Banking Supervision publication, October 2014)	176 050	174 977	170 100
/				
Required amount of stable funding (B)		131 156	128 845	123 050
= (A) / (B)		134.2%	135.8%	138.2%

Parent shareholders' equity per share

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Parent shareholders' equity (A)	'Consolidated balance sheet'	18 220	18 865	17 924
/				
Number of ordinary shares less treasury shares (at period-end) (B)	Note 5.10	416	416	416
= (A) / (B) (in EUR)		43.76	45.31	43.08

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

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
BELGIUM BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	- 86	1 344	176
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		6 860	6 764	6 681
= (A) annualised / (B)		-5.0%	19.9%	10.5%
CZECH REPUBLIC BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	88	789	177
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		1 725	1 692	1 660
= (A) annualised / (B)		19.9%	46.7%	42.5%
INTERNATIONAL MARKETS BUSINESS UNIT				
Result after tax (including minority interests) of the business unit (A)	Note 2.2: Results by segment	35	379	70
/				
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency II) (B)		2 360	2 354	2 333
= (A) annualised / (B)		5.9%	16.1%	12.1%

Return on equity

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	- 5	2 489	430
-				
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 12	- 56	- 21
/				
Average parent shareholders' equity, excluding the revaluation reserve for FVOCI instruments and for FVPL equity instruments – overlay approach (C)	'Consolidated statement of changes in equity'	17 375	16 978	16 651
= (A-B) (annualised) / (C)		-0.4%	14.3%	9.8%

The return on equity amounts to 4% when including evenly spreading of the bank taxes throughout the year.

Sales Life (insurance)

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

Calculation (in millions of EUR or %)	Reference	1Q 2020	2019	1Q 2019
Life Insurance - earned premiums (before reinsurance) (A)	'Consolidated income statement'	297	1 323	351
+				
Life insurance: difference between written and earned premiums (before reinsurance) (B)	-	1	1	1
+				
Investment contracts without discretionary participation feature (large part of unit-linked) – margin deposit accounting (C)	-	128	525	164
Total sales Life (A)+ (B) + (C)		427	1 849	516

Solvency ratio (insurance)

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

Calculation	1Q 2020	2019	1Q 2019
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section	212%	202%	210%

Total assets under management

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

Calculation (in billions of EUR or quantity)	Reference	1Q 2020	2019	1Q 2019
Belgium Business Unit (A)	Company presentation on www.kbc.com	178	200	195
+				
Czech Republic Business Unit (B)		10	11	10
+				
International Markets Business Unit (C)		5	5	5
A)+(B)+(C)		193	216	210