1Q25 Comparative Quarters Note

KBC Investor Relations

22 April 2025

General market developments

- In 1Q25, the ECB policy rate was cut twice by 25bps to 2.50% (on 5 February 2025 and 12 March 2025). The CNB policy rate was cut by 25bps to 3.75% as of 7 February 2025, while there were no further policy rate cuts by the MNB during the 1st quarter.
- The average exchange rate EUR/CZK stood at 25.09 at the end of the first quarter (i.e. +0.2% q-o-q and +0.0% y-o-y). The average exchange rate EUR/HUF stood at 404.77 at the end of the fourth quarter (i.e. -2.2% q-o-q and -3.9% y-o-y).
- While economic and geopolitical uncertainty rose at the end of 1Q25, economic conditions remained supportive for 1Q25 loan volume growth. Furthermore, we note resilience in labour markets in our core markets. Still persistent core inflation may continue to act as a dragging anchor on near term disinflation dynamics.

Net interest income: NII amounted to 1,433m EUR in 4Q24. Compared to 4Q24, there are a number of known differentiating factors (besides the above indicated policy rate changes) in 1Q25 based on publicly available data and seasonalities to be mentioned:

- In 4Q24 the NII included a +9m EUR correction from a changed accounting approach on mortgage brokerage fees in Bulgaria as reported in the 4Q24 company presentation on slide 7.
- Lower N° days (2 days less q-o-q, so roughly 15m EUR less NII q-o-q).
- NII on inflation-linked bonds (+4m EUR NII contribution in 4Q24), where we noticed a negative evolution in the Euro area HICP excluding tobacco relevant for 1Q25.
- As of 1Q25 the MRR increased from 2% to 4% in the Czech Republic.
- As mentioned during the 4Q24 conference call, a further increase of the commercial transformation result will be one of the key drivers for our NII growth going forward (both for ST & LT financial guidance).
- As of 1 January 2025 the fidelity bonus of Start2Save and Start2Save4 accounts in Belgium decreased with 30bps (to 1.50%). The new fidelity bonus will apply to new deposits and to existing savings as soon as the new fidelity period starts. The base rate of interest on these products remains unchanged at 0.75%.
- As of 1 February 2025 the total rate on the regular saving accounts was lowered from 0.90% to 0.80% (equally split between base rate and fidelity bonus).

As known, FY25 NII is guided for at least 5.7bn EUR.

Net fee and commission income: 4Q24 NFCI was 700m EUR.

- The 4Q24 company presentation mentioned on slide 9 that roughly 20m EUR was related to some year-end effects and therefore was not to be extrapolated going forward.
- **Assets-under-management** (AuM) increased by 2% q-o-q in 4Q24. On the one hand this provides a higher starting base for 1Q25. On the other hand, there was a limited negative equity market performance during 1Q25.
- **Payment-related fees** typically have a seasonal lower effect in 1Q25 after benefitting from a positive seasonal effect both in 3Q (holiday season) and 4Q (Christmas period).

Insurance business (always best to look to the y-o-y comparison, due to seasonal effects)

- We disclosed for 2025 and 2024-2027 CAGR a total insurance revenue growth of at least 7% y-o-y and a combined ratio below 91%.
- **Non-life insurance revenue** was 598m EUR in 1Q24. In the previous quarters, non-life insurance revenue saw high single digit growth year-on-year, due to a combination of volume and tariff increases. **Non-life insurance service expenses** amounted to only -489m EUR in 1Q24, which included low claims experience.
- **Life insurance revenue** amounted to 116m EUR in 1Q24. **Life insurance service expenses** were at -73m EUR in 1Q24.
- **Net result from reinsurance contracts held** was -18m EUR in 1Q24.

Dividend income: 1Q24 dividend income was 7m EUR.

FIFV (net result from financial instruments at fair value through P&L) and IFIE (insurance finance income and expenses) amounted to -74m EUR in 4Q24 and was mainly characterized by negative change in 'ALM derivatives and other' and slightly more negative IFIE. 1Q25 saw increased volatility in rates and FX markets, leading to moderate dealing room opportunities versus 4Q24.

Net other income:

- 4Q24 NOI was 27m EUR, substantially lower than the normal run rate of roughly 50m EUR per quarter due to a 28m EUR negative one-off as a result of a legal case in Hungary.

Operating expenses (Opex)

- **Total bank and insurance taxes** amounted to -518m EUR in 1Q24. Based on IFRIC 21, a large part of the bank and insurance taxes are booked upfront in the first quarter.
    - In Belgium the 1.8% DGS of covered deposits is not reached yet and the covered deposit volumes have gradually increased over the course of 2024, especially as a result of recoveries of the maturing state note in September 2024 (as indicated on slide 8 and 72 of the 4Q24 company presentation).
    - Contributions to the resolution fund in Czech Republic decreased.

- **Total Opex excluding bank and insurance taxes** amounted to -1,201m EUR in 4Q24 and -1,063m EUR in 1Q24.
    - As known, the 4th quarter is always negatively distorted by year-end effects (still a lot of invoices are coming in just before year-end).
    - Note that Opex excluding bank and insurance taxes in 1H24 was relatively low (as the y-o-y growth in 2024 was mainly concentrated in 2H24).

Loan loss impairments

- The FY24 credit cost ratio amounted to 16bps excluding the release of the ECL buffer for geopolitical and macroeconomic uncertainties. The ECL buffer for geopolitical and macroeconomic uncertainties stood at 117m EUR at the end of 4Q24. The macro-economic environment became increasingly volatile at the end of 1Q25, a.o. driven by evolutions in the UA/RU war and US tariff policies on the one hand and European fiscal spending announcements ('Re-Arm Europe' and huge German infrastructure investments) on the other hand.
- For 2025 and 2027, the credit cost ratio was guided well below the through-the-cycle of 25-30bps, given our strong track record with a well-diversified loan book.

Income Tax

- 4Q24 results included a tax benefit of 0.3bn EUR related to the forthcoming liquidation of KBC Bank Ireland.
- Income taxes at 1Q24 stood at -175m EUR. Note that the tax rate in 1Q is usually higher than in the other quarters because of the non-tax deductibility of the national bank & insurance taxes in Belgium.

Risk-weighted Assets (fully loaded) were 119,945m EUR at the end of 4Q24.

- As usual, organic loan volume growth will be one of the drivers of RWA growth.
- Furthermore, as of 1 January 2025, Basel IV kicks in. For the fully loaded CET1 ratio as of 1Q25, KBC will take into account the total RWA impact from Basel IV, excluding the output floor impact. An indicative view of the Basel IV RWA impact was included in the 4Q24 company presentation on slide 20.

CET1 ratio (fully loaded) stood at 15.0% at the end of 4Q24.

- Together with the 1Q25 results KBC will update the dividend policy and capital deployment plan, which will apply on the FY25 results announced in February 2026.

Please note that KBC Investor Relations Office will be in black-out period at close of business on 25 April 2025.