2Q24 Comparative Quarters Note

KBC Investor Relations

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General market developments

- The ECB policy rate was cut by 25bps to 3.75% as of 12 June 2024, while there were 2 additional policy rate cuts in the Czech Republic in 2Q24 (-50bps as of 3 May 2024 and -50bps as of 28 June 2024 to 4.75%) and 3 additional policy rate cuts in Hungary in 2Q24 (-50bps as of 24 April 2024, -50bps as of 22 May 2024 and -25bps as of 19 June 2024)
- The average exchange rate EUR/CZK stood at 25.05 at the end of first quarter (i.e. +0.2% q-o-q and -5.5% y-o-y). The average exchange rate EUR/HUF stood at 390.35 at the end of the first quarter (i.e. -0.3% q-o-q and -2.7% y-o-y)
- In our core markets, GDP growth levels are picking up and unemployment rates remained low

Net interest income: NII amounted to 1,369m EUR in 1Q24. Compared to 1Q24, there are a few differentiating items (besides the above indicated policy rate changes) based on publicly available data and seasonalities to be mentioned:

- NII on inflation-linked bonds (-12m EUR NII contribution in 1Q24), where we noticed a positive evolution in inflation indices (excl. tobacco) for 2Q24
- The issuance of additional Tier 2 (roughly 1.5bn EUR) and Senior Holdco (0.75bn EUR) bonds during 1Q24 (as flagged in the 1Q24 company presentation), leading to higher subordinated debt and wholesale funding costs going forward

Note that the Belgian 1y-State Notes issued in March and June 2024 were much less successful than in September 2023, with a total subscription volume of 400-500m EUR both in March and June 2024 versus 22bn EUR in September 2023 (according to the Belgian Debt Agency)

As known, together with the 4Q23 results, we guided for a FY24 NII in the range of 5.3-5.5bn EUR based on conservative assumptions (as flagged on slide 22 of our 4Q23 presentation). During the 1Q24 conference call, it was mentioned that FY24 NII will be rather at the higher end of the range, i.e. 5.4bn-5.5bn EUR

Net fee and commission income: 1Q24 NFCI was 614m EUR

- On one hand, assets-under-management (AuM) increased by 5% q-o-q in 1Q24 (so a higher starting base for 2Q24)

- On the other hand, in previous years, a typical seasonal peak in terms of net inflows can be noticed in the first quarter

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

- We disclosed **for 2024 a total insurance revenue growth of at least 6% y-o-y and on the long term at least 6% CAGR 23-26**
- **Non-life insurance revenue** was 567m EUR in 2Q23. In the previous quarter, 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** only amounted to -457m EUR in 2Q23, which included low claims experience (1H23 combined ratio was only 84%)
- **Life insurance revenue** amounted to 100m EUR in 2Q23. **Life insurance service expenses** were -66m EUR in 2Q23
- **Net result from reinsurance contracts held** was -22m EUR in 2Q23

Dividend income: 2Q23 dividend income was 30m EUR

FIFV (net result from financial instruments at fair value through P&L) and IFIE (insurance finance income and expenses) amounted to -55m EUR in 1Q24 and was characterized by an increased negative result from ALM derivatives and other, partly offset by strong dealing room result

Net other income: 1Q24 NOI was 58m EUR, slightly above the normal run rate of roughly 50m EUR per quarter

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 were booked upfront in the first quarter). As can be noticed on slide 12 of the 1Q24 company presentation, the total bank and insurance taxes are estimated at -39m EUR in 2Q24
- **Total Opex excluding bank and insurance taxes** amounted to -1,063m EUR in 1Q24 and -1,090m EUR in 2Q23. We refer to our FY24 guidance for OPEX and insurance commissions paid (excl. bank/insurance taxes) below +1.7% y-o-y, which is substantially below inflation

Loan loss impairments

- **The 1Q24 credit cost ratio amounted to 10bps** excluding the release of the ECL buffer for geopolitical and macroeconomic uncertainties. The ECL buffer for geopolitical and macroeconomic uncertainties stood at 223m EUR (or roughly 11bps CCR) at the end of 1Q24
- For 2024 and 2026, the credit cost ratio was guided **well below the through-the-cycle credit cost of 25-30bps,** excluding any changes on the ECL buffer for geopolitical and macroeconomic uncertainties
- As mentioned before, **defaults in a few individual corporate files are gradually picking up, from a historical low level**

Income Tax

- Note that the tax rate in 1Q is higher than in the other quarters because of the non-tax deductibility of the national bank & insurance taxes in Belgium (as of 2024)
- As of 2024, the introduction of a minimum effective corporate tax rate of 15% per country is applicable
- Although KBC Bank Ireland returned its banking license to the Central Bank of Ireland on 30 April 2024, the aim is to close this liquidation process in the fourth quarter of 2024. The closing of the liquidation process can give rise to a tax deductible loss in KBC Bank NV in 2024 for which no

deferred tax assets are yet recognized, as we consider this as a contingent asset at this moment subject to official authorization of the Irish tax authorities to liquidate KBC Bank Ireland (confirmation of no outstanding debt). This could lead to a tax benefit in P&L of 0.3 billion euros in the fourth quarter of 2024 (as was mentioned in note 3.11 of the 1Q24 quarterly report)

RWA (fully loaded) stood at 114,101m EUR at the end of 1Q24. As usual, organic loan volume growth will be one of the q-o-q RWA drivers

CET1 ratio (fully loaded) stood at 14.9% at the end of 1Q24 (after the 1.3bn EUR SBB and after deduction of the extraordinary interim dividend of 0.70 EUR per share, paid in May)

- In line with our dividend policy and capital deployment plan, a dividend accrual of 50% is taken into account in the fully loaded CET1 ratio

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