

Brussels, 8 August 2024 (07.00 a.m. CEST)

## KBC Group: Second-quarter result of 925 million euros

KBC Group – overview (consolidated, IFRS)	2Q2024	1Q2024	2Q2023	1H2024	1H2023
Net result (in millions of EUR)	925	506	966	1 431	1 848
Basic earnings per share (in EUR)	2.25	1.18	2.29	3.44	4.37
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	519	243	576	761	875
Czech Republic	244	197	276	441	461
International Markets	224	146	190	370	298
Group Centre	-61	-80	-76	-141	215
Parent shareholders' equity per share (in EUR, end of period)	53.2	54.9	51.2	53.2	51.2

*'We recorded a net profit of 925 million euros in the second quarter of 2024. Compared to the result for the previous quarter, our total income benefited from several factors, including higher levels of net interest income, higher net fee and commission income, solid insurance revenues and better trading & fair value income, as well as the seasonal peak in dividend income. Costs were down significantly, since the bulk of the bank and insurance taxes for the full year is always recorded in the first quarter of the year. Disregarding bank and insurance taxes, costs edged up by 1% quarter-on-quarter. Loan loss impairment charges were up on the very modest level recorded in the previous quarter, resulting in – what is still – a very low credit cost ratio of 9 basis points in the first half of 2024.*

*Consequently, when adding up the results for the first and second quarters, our net profit for the first half of 2024 amounted to 1 431 million euros. At first sight, this is much lower than the result for the year-earlier period, but that period had benefited from a positive 0.4-billion-euro one-off gain on the sale of the Irish loan and deposit books. Excluding that one-off gain, our half-yearly profit was in line with the year-earlier figure.*

*Our loan portfolio continued to expand, increasing by 2% quarter-on-quarter and by 4% year-on-year, with growth being recorded in each of the group's core countries. Customer deposits were up 2% quarter-on-quarter and were stable year-on-year. The share of bank and insurance products sold digitally continued to rise: based on a selection of core products, around 55% of our banking and 27% of insurance products were sold through a digital channel, up from 50% and 24% a year ago. Of paramount importance in our digitalisation journey is our personal digital assistant Kate, which we continuously develop further with the aim of ensuring maximum convenience for and support of our customers. To date, around 4.8 million customers have already used Kate, an increase of approximately 40% on the year-earlier figure.*

*Our solvency position remained strong, with a fully loaded common equity ratio of 15.1% at the end of June 2024. The solvency ratio for KBC Insurance under the Solvency II framework amounted to 200%. Our liquidity position remained very solid too, as illustrated by an LCR of 160% and NSFR of 139%.*

*To summarise, our overall performance in the first half of 2024 was excellent yet again.*

*As regards our share buyback programme, which started in August 2023 and ended on July 31st, 2024, we have bought back a total of approximately 21 million shares for a total consideration of 1.3 billion euros. In line with our general dividend policy, we will pay an interim dividend of 1 euro per share in November 2024 as an advance on the total dividend for financial year 2024. Furthermore, we also decided to increase our guidance for net interest income for full-year 2024 to 5.5 billion euros ballpark figure, up from our initial guidance of 5.3 to 5.5 billion euros.*

*I'd like to take this opportunity to sincerely thank all our employees for their contribution to our group's continued success.*

*I also wish to thank all our customers, shareholders and all other stakeholders for their trust and support, and to assure them that we remain committed to being the reference in bank-insurance and innovation in all our home markets.'*



Johan Thijs  
Chief Executive Officer

# Financial highlights in the second quarter of 2024

- ▶ **Net interest income** increased by 1% quarter-on-quarter and fell by 2% year-on-year. The net interest margin for the quarter under review amounted to 2.10%, up 2 basis points on the previous quarter and down 1 basis point on the year-earlier quarter. Loan volumes were up 2% quarter-on-quarter and 4% year-on-year. Deposits excluding debt certificates were up 2% quarter-on-quarter and stable year-on-year. Volume growth figures were calculated on an organic basis (excluding changes in the scope of consolidation and forex effects).
- ▶ **The insurance service result** (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held) amounted to 113 million euros (compared to 134 million euros and 121 million euros in the previous and year-earlier quarters, respectively) and breaks down into 76 million euros for non-life insurance and 37 million euros for life insurance. The non-life insurance combined ratio for the first six months of 2024 amounted to 87%, the same level as for full-year 2023. Non-life insurance sales increased by 8% year-on-year, while life insurance sales were down 19% and 15% on the high levels recorded in the previous and year-earlier quarters, respectively, caused mainly by lower sales of unit-linked life insurance products.
- ▶ **Net fee and commission income** was up 1% and 7% on its level in the previous and year-earlier quarters, respectively. Fees for both our asset management activities and our banking services were up 2% quarter-on-quarter. Year-on-year, fees for our asset management activities increased by 11% and fees for our banking activities by 2%.
- ▶ **Trading & fair value income and insurance finance income and expense** was up 58 million euros on the figure for the previous quarter and down 30 million euros on the level recorded in the year-earlier quarter. **Net other income** was in line with its normal run rate. **Dividend income** was up on the previous quarter's level, as the second quarter traditionally includes the bulk of dividend income for the full year.
- ▶ **Operating expenses excluding bank and insurance taxes** were up 1% on their level in the previous quarter and down 2% on their year-earlier level. The cost/income ratio for the first six months of 2024 came to 46%, compared to 49% for full-year 2023. In that calculation, certain non-operating items have been excluded and bank and insurance taxes spread evenly throughout the year. Excluding all bank and insurance taxes, the cost/income ratio for the first six months of 2024 amounted to 42%, compared to 43% for full-year 2023.
- ▶ The quarter under review included a 72-million-euro net **loan loss impairment charge**, as compared to a net charge of 16 million euros in the previous quarter and a net release of 23 million euros in the year-earlier quarter. The credit cost ratio for the first six months of 2024 amounted to 0.09%, compared to 0.00% for full-year 2023. Impairment on assets other than loans amounted to 13 million euros in the quarter under review, compared to 0 million euros in the previous quarter and 31 million euros in the year-earlier quarter.
- ▶ Our **liquidity position** remained strong, with an LCR of 160% and NSFR of 139%. Our **capital base** remained robust, with a fully loaded common equity ratio of 15.1%.

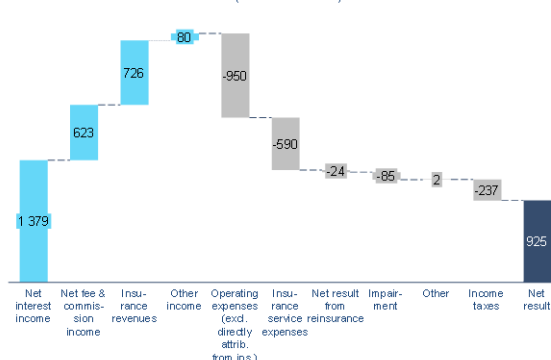
## The cornerstones of our strategy



- 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 assume our role in society and local economies
- We build upon the PEARL + values, while focussing on the joint development of solutions, initiatives and ideas within the group

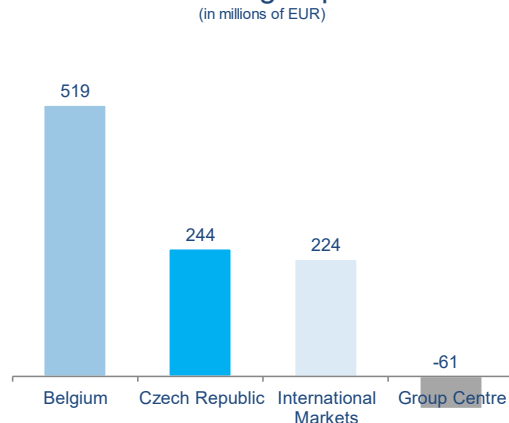
## Breakdown of 2Q2024 result

(in millions of EUR)



## Contribution of the business units to 2Q2024 group result

(in millions of EUR)



# Overview of results and balance sheet

## Consolidated income statement, IFRS, KBC Group (simplified; in millions of EUR)

	2Q2024	1Q2024	4Q2023	3Q2023	2Q2023	1H2024	1H2023
Net interest income	1 379	1 369	1 360	1 382	1 407	2 748	2 731
Insurance revenues before reinsurance	726	714	683	699	666	1 441	1 297
<i>Non-life</i>	613	598	584	587	567	1 211	1 109
<i>Life</i>	114	116	99	113	100	230	188
Dividend income	26	7	12	10	30	33	37
Net result from financial instruments at fair value through P&L and Insurance finance income and expense <sup>1</sup>	3	-55	-40	-8	33	-52	57
Net fee and commission income	623	614	600	588	584	1 237	1 160
Net other income	51	58	60	44	54	109	552
<b>Total income</b>	<b>2 809</b>	<b>2 708</b>	<b>2 674</b>	<b>2 715</b>	<b>2 775</b>	<b>5 516</b>	<b>5 835</b>
Operating expenses (excl. directly attributable from insurance)	-950	-1 431	-1 085	-1 011	-1 019	-2 381	-2 520
<i>Total operating expenses excluding bank and insurance taxes</i>	<i>-1 074</i>	<i>-1 063</i>	<i>-1 169</i>	<i>-1 101</i>	<i>-1 090</i>	<i>-2 137</i>	<i>-2 167</i>
<i>Total bank and insurance taxes</i>	<i>-2</i>	<i>-518</i>	<i>-36</i>	<i>-29</i>	<i>-51</i>	<i>-521</i>	<i>-622</i>
<i>Minus: operating expenses allocated to insurance service expenses</i>	<i>126</i>	<i>150</i>	<i>120</i>	<i>119</i>	<i>123</i>	<i>276</i>	<i>270</i>
Insurance service expenses before reinsurance	-590	-563	-567	-540	-523	-1 152	-1 013
<i>Of which Insurance commission paid</i>	<i>-92</i>	<i>-89</i>	<i>-94</i>	<i>-87</i>	<i>-82</i>	<i>-181</i>	<i>-159</i>
<i>Non-Life</i>	<i>-514</i>	<i>-489</i>	<i>-509</i>	<i>-485</i>	<i>-457</i>	<i>-1 003</i>	<i>-876</i>
<i>Life</i>	<i>-76</i>	<i>-73</i>	<i>-58</i>	<i>-55</i>	<i>-66</i>	<i>-149</i>	<i>-138</i>
Net result from reinsurance contracts held	-24	-18	-16	-22	-22	-41	-52
Impairment	-85	-16	-170	-63	-8	-101	18
<i>Of which: on financial assets at amortised cost and at fair value through other comprehensive income<sup>2</sup></i>	<i>-72</i>	<i>-16</i>	<i>5</i>	<i>-36</i>	<i>23</i>	<i>-88</i>	<i>47</i>
Share in results of associated companies & joint ventures	2	0	0	0	-1	2	-4
Result before tax	1 162	680	836	1 079	1 202	1 842	2 264
Income tax expense	-237	-175	-159	-203	-236	-412	-416
Result after tax	925	506	677	877	966	1 431	1 848
attributable to minority interests	0	0	0	0	0	0	0
<b>attributable to equity holders of the parent</b>	<b>925</b>	<b>506</b>	<b>677</b>	<b>877</b>	<b>966</b>	<b>1 431</b>	<b>1 848</b>
Basic earnings per share (EUR)	2.25	1.18	1.59	2.07	2.29	3.44	4.37
Diluted earnings per share (EUR)	2.25	1.18	1.59	2.07	2.29	3.44	4.37

## Key consolidated balance sheet figures, IFRS, KBC Group (in millions of EUR)

	30-06-2024	31-03-2024	31-12-2023	30-09-2023	30-06-2023
Total assets	361 945	359 477	346 921	358 453	368 077
Loans & advances to customers	187 502	183 722	183 613	181 821	182 005
Securities (equity and debt instruments)	73 941	73 561	73 696	72 765	71 839
Deposits from customers (excl. debt certificates)	221 817	216 271	216 423	214 203	224 710
Insurance contract liabilities	16 521	16 602	16 784	15 920	16 295
Liabilities under investment contracts, insurance	14 780	14 319	13 461	12 655	12 751
Total equity	22 936	23 917	24 260	23 865	22 853

## Selected ratios KBC Group (consolidated)

	1H2024	FY2023
Return on equity <sup>3</sup>	13%	16%
Cost/income ratio, group		
- excl. non-operating items and evenly spreading bank and insurance taxes throughout the year	46%	49%
- excl. all bank and insurance taxes	42%	43%
Combined ratio, non-life insurance	87%	87%
Common equity ratio (CET1), Basel III, Danish Compromise.		
- fully loaded	15.1%	15.2%
- transitional	14.7%	13.8%
Credit cost ratio <sup>4</sup>	0.09%	0.00%
Impaired loans ratio	2.1%	2.1%
for loans more than 90 days past due	1.1%	1.0%
Net stable funding ratio (NSFR)	139%	136%
Liquidity coverage ratio (LCR)	160%	159%

1 As of 2024, we have combined 'Net result from financial instruments at fair value through P&L' (also referred to as 'Trading & fair value income') and 'Insurance finance income and expense' in one P&L line for the sake of simplification. The figures for past periods have been retroactively restated.

2 Also referred to as 'Loan loss impairment'.

3 15% in the first half of 2024 (and also 15% for full-year 2023) when non-operating items are excluded and bank and insurance taxes evenly spread throughout the year.

4 A negative figure indicates a net impairment release (positively affecting results).

# Analysis of the quarter (2Q2024)

## Total income: 2 809 million euros

+4% quarter-on-quarter and +1% year-on-year

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**Net interest income** amounted to 1 379 million euros in the quarter under review, up 1% quarter-on-quarter and down 2% year-on-year. The 1% quarter-on-quarter increase was due mainly to continued increasing reinvestment yields (positively impacting our commercial transformation result), the higher level of interest income from lending activities (loan volume growth more than offsetting pressure on loan margins in some core markets), higher interest income from inflation-linked bonds and the lower funding cost of participations. These items were offset in part by lower interest income on customer term deposits, lower interest income on saving accounts in Belgium (due to the higher fidelity premium), a lower ALM result, higher subordinated and wholesale funding costs and lower interest income from short-term cash management activities. The 2% year-on-year decrease was attributable primarily to lower lending income (pressure on lending margins in some core markets not fully offset by loan volume growth), lower interest income in Ireland (following the sale of the loan and deposit portfolios), higher costs related to the minimum required reserves held with central banks, higher funding costs of participations and higher wholesale funding costs, lower interest income from short-term cash management activities, lower interest income from the dealing room, and a negative forex effect (depreciation of the Czech koruna and Hungarian forint). These items were partly offset by an increase in the commercial transformation result, a higher ALM result and increased interest income from customer term deposits. The net interest margin for the quarter under review amounted to 2.10%, up 2 basis points quarter-on-quarter and down 1 basis point year-on-year. For guidance regarding expected net interest income in 2024 and the years to come, please refer to the section entitled 'Our guidance'.

Customer loan volume (188 billion euros) was up 2% quarter-on-quarter and 4% year-on-year. Customer deposits excluding debt certificates (222 billion euros) were up 2% quarter-on-quarter and stable year-on-year. When excluding volatile, low-margin short-term deposits at KBC Bank's foreign branches (driven by short-term cash management opportunities), customer deposits were up 2% quarter-on-quarter and down 1% year-on-year. In the growth figures above, the forex-related impact and the effects of changes in the scope of consolidation have been eliminated.

**The insurance service result** (insurance revenues before reinsurance – insurance service expenses before reinsurance + net result from reinsurance contracts held; the two latter items are not part of total income) amounted to 113 million euros and breaks down into 76 million euros for non-life insurance and 37 million euros for life insurance. The **non-life** insurance service result decreased by 19% quarter-on-quarter and by 14% year-on-year, in both cases essentially owing to a combination of higher insurance service expenses (higher claims) and a worse reinsurance result, but partly offset by higher insurance revenues. The **life** insurance service result fell by 8% quarter-on-quarter due essentially to increased insurance service expenses and slightly lower insurance revenues, partly offset by a better reinsurance result. It was 11% higher than the result for the year-earlier quarter, as increased insurance revenues more than offset the higher level of insurance service expenses.

The combined ratio of the non-life insurance activities amounted to an excellent 87% for the first six months of 2024, the same level as for full-year 2023. Non-life insurance sales came to 623 million euros, up 8% year-on-year, with growth in all countries and all classes. Sales of life insurance products amounted to 620 million euros and were down 19% on the high level recorded in the previous quarter (which, among other things, had benefited from high sales of unit-linked life insurance products attributable to the launch of a new structured product and commercial campaigns in Belgium). Life insurance sales were down 15% on the high level recorded in the year-earlier quarter, due entirely to lower sales of unit-linked products. Overall, the share of guaranteed-interest products and unit-linked products in our life insurance sales in the quarter under review amounted to 36% and 57%, respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder.

For guidance regarding expected insurance revenues and the combined ratio in 2024 and the years to come, please refer to the section entitled 'Our guidance'.

**Net fee and commission income** amounted to 623 million euros, up 1% and 7% on its level in the previous and year-earlier quarters, respectively. The quarter-on-quarter increase was attributable to 2% growth in fee income from both our asset management activities (thanks primarily to higher management fees) and our banking activities (thanks mainly to increased payment services fees, which more than compensated for the decrease in securities-related fees), partly offset by seasonally lower distribution fees for non-life insurance products. The 7% year-on-year increase was attributable to an 11% increase in fees for our asset management services (due entirely to higher management fees) and a 2% increase in banking fees, slightly offset by a negative forex effect. At the end of June 2024, our total assets under management amounted to 262 billion euros, up 2% quarter-on-quarter (+1 percentage point related to net inflows and +1 percentage point related to the quarter-on-quarter positive market performance). Assets under management grew by as much as 17% year-on-year, with net inflows accounting for +6 percentage points and the positive market performance for +10 percentage points.

**Trading & fair value income and insurance finance income and expense** amounted to 3 million euros, up 58 million euros quarter-on-quarter and down 30 million euros year-on-year. The quarter-on-quarter increase was attributable mainly to the higher result from derivatives used for asset/liability management purposes, partly offset by lower dealing room results (given the strong results in the previous quarter). Year-on-year, the decrease was mostly related to the lower result from derivatives used for asset/liability management purposes.

The **other remaining income items** included dividend income of 26 million euros (compared to 7 million in the previous quarter, as the second quarter of the year traditionally includes the bulk of dividend income for the year) and net other income of 51 million euros, fully in line with (50-million-euro) normal run rate.

## Total operating expenses excluding bank and insurance taxes:

**1 074 million euros**

+1% quarter-on-quarter and -2% year-on-year

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The quarter-on-quarter comparison of operating expenses is distorted by the fact that the bulk of the bank and insurance taxes for the full year is traditionally recorded in the first quarter of the year. In the second quarter of 2024, these taxes amounted to 2 million euros, whereas they came to 518 million euros in the previous quarter and 51 million euros in the second quarter of 2023. The year-on-year decrease was accounted for primarily by lower national levies (mainly in Hungary) and a partial reversal of the contribution to the deposit guarantee fund in Belgium (lower calculation base than anticipated by the government) in the quarter under review. Note: to tackle the budget deficit, the Hungarian government recently announced additional bank and insurance taxes for the second half of 2024, which could amount to up to 40 million euros for K&H.

Total operating expenses excluding bank and insurance taxes amounted to 1 074 million euros in the second quarter of 2024, up by 1% on their level in the previous quarter, owing mainly to higher staff costs (mainly wage drift, partly offset by lower FTEs), higher ICT expenses and seasonally higher marketing expenses, partly offset by decreasing costs in Ireland (following the sale of the loan and deposit portfolios).

Operating expenses excluding bank and insurance taxes were down 2% on their year-earlier level, due for the most part to lower costs related to Ireland (as a consequence of the sale of the portfolios there) and a forex effect, partly offset by higher staff costs (inflation and wage indexation).

When certain non-operating items are excluded and bank and insurance taxes spread evenly throughout the year, the cost/income ratio for the first six months of 2024 amounted to 46%, compared to 49% for full-year 2023. When excluding all bank and insurance taxes, the cost-income ratio improved to 42%, compared to 43% for full-year 2023.

For guidance regarding expected operating expenses and the cost/income ratio in 2024 and the years to come, please refer to the section entitled 'Our guidance'.

## Loan loss impairment: 72-million-euro net charge

versus a 16-million-euro net charge in the previous quarter and a 23-million-euro net release in the year-earlier quarter

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In the quarter under review, we recorded a 72-million-euro net loan loss impairment charge, as opposed to a net charge of 16 million euros in the previous quarter and a net release of 23 million euros in the year-earlier quarter. The net impairment charge in the quarter under review included a charge of 58 million euros in respect of our loan book and a charge of 14 million euros following the update of the reserve for geopolitical and macroeconomic uncertainties. As a consequence, the outstanding reserve for geopolitical and macroeconomic uncertainties amounted to 237 million euros at the end of June 2024.

For the entire group, the credit cost ratio amounted to 0.09% for the first six months of 2024 (0.10% excluding the changes in the reserve for geopolitical and macroeconomic uncertainties), compared to 0.00% for full-year 2023 (0.07% excluding the changes in the reserve for geopolitical and macroeconomic uncertainties). At the end of June 2024, 2.1% of our total loan book was classified as impaired ('Stage 3'), the same level as at year-end 2023. Impaired loans that are more than 90 days past due amounted to 1.1% of the loan book, compared to 1.0% as at year-end 2023.

For guidance regarding the expected credit cost ratio in 2024 and the years to come, please refer to the section entitled 'Our guidance'.

Impairment charges on assets other than loans amounted to 13 million euros, as opposed to 0 million euros in the previous quarter and 31 million euros in the year-earlier quarter. The quarter under review mainly included charges related to the extension of the interest cap regulation in Hungary and impairment charges on software.

## Net result by business unit

Belgium 519 million euros; Czech Rep. 244 million euros; International Markets 224 million euros, Group Centre -61 million euros

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**Belgium:** at first sight, the net result (519 million euros) was more than double the result of the previous quarter. However, the first quarter of the year traditionally includes the bulk of the bank and insurance taxes for the full year, hence distorting the quarter-on-quarter comparison. Excluding bank and insurance taxes, the net result was down 7% quarter-on-quarter, due primarily to the combined effect of:

- higher total income (thanks mainly to higher net interest income and trading & fair value income, as well as the seasonal peak in dividend income);
- more or less stable costs (excluding bank and insurance taxes);
- higher insurance service expenses after reinsurance;
- increased net impairment charges.

**Czech Republic:** at first sight, the net result (244 million euros) was up 24% quarter-on-quarter. Excluding bank and insurance taxes, the net result was up 9% quarter-on-quarter. This was essentially attributable to a combination of:

- more or less stable total income (higher net interest income and insurance revenues; lower trading & fair value income and net other income);
- stable costs (excluding bank and insurance taxes);
- higher insurance service expenses after reinsurance;
- a significant net loan loss impairment release, as opposed to a small net charge in the previous quarter;
- higher income taxes.



**International Markets:** the 224-million-euro net result breaks down as follows: 27 million euros in Slovakia, 121 million euros in Hungary and 76 million euros in Bulgaria. For the business unit as a whole, the net result was, at first sight, up 53% on the previous quarter's result. When excluding bank and insurance taxes, the result was down 15%, due mainly to a combination of:

- more or less stable total income (increase in insurance revenues, net fee and commission income and net other income; decrease in net interest income and trading & fair value income);
- higher costs (excluding bank and insurance taxes);
- stable insurance service expenses after reinsurance;
- a small net impairment charge as opposed to a significant net release in the previous quarter.

**Group Centre:** the net result (-61 million euros) was 18 million euros higher than the figure recorded in the previous quarter owing mainly to a combination of:

- less negative total income (due primarily to higher trading & fair value income);
- stable costs;
- higher insurance service expenses and a negative reinsurance result compared to a positive figure in the previous quarter;
- lower net release of impairment.

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](http://www.kbc.com)).

Selected ratios by business unit	Belgium		Czech Republic		International Markets	
	1H2024	FY2023	1H2024	FY2023	1H2024	FY2023
Cost/income ratio, group						
- excl. non-operational items and spreading bank and insurance taxes evenly throughout the year	43%	46%	44%	47%	44%	45%
- excl. all bank and insurance taxes	40%	41%	42%	44%	36%	39%
Combined ratio, non-life insurance	86%	85%	80%	84%	100% <sup>2</sup>	97% <sup>2</sup>
Credit cost ratio <sup>1</sup>	0.24%	0.06%	-0.19%	-0.18%	-0.18%	-0.06%
Impaired loans ratio	2.1%	2.0%	1.4%	1.4%	1.7%	1.8%

<sup>1</sup> A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.

<sup>2</sup> Excluding windfall bank and insurance taxes in Hungary, the combined ratio amounted to 93% in the first six months of 2024 and 94% for full-year 2023.

## Solvency and liquidity

Common equity ratio of 15.1%, NSFR of 139%, LCR of 160%

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At the end of June 2024, total equity came to 22.9 billion euros and comprised 21.2 billion euros in parent shareholders' equity and 1.75 billion euros in additional tier-1 instruments. Total equity was down 1.3 billion euros on its level at the end of 2023. This was accounted for by the combined effect of the inclusion of the profit for the first six months of 2024 (+1.4 billion euros), the repurchase of own shares (-0.7 billion euros in the first half of 2024), the final dividend for 2023 and an extraordinary interim dividend paid both in May 2024 (-1.5 billion euros combined, see next paragraph), more or less stable revaluation reserves, the repayment of additional tier-1 instruments (-0.5 billion euros) and a number of smaller items. We have provided details of these changes under 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section of the quarterly report.

The Annual General Meeting of Shareholders of 2 May 2024 approved a total gross dividend of 4.15 euros per share for financial year 2023, with an interim dividend of 1.0 euro per share already paid in November 2023 and the remaining 3.15 euros per share paid on 15 May 2024. In line with our announced capital deployment plan for full-year 2023, the Board of Directors also decided to distribute the surplus capital above the fully loaded common equity ratio of 15% as an extraordinary interim dividend of 0.70 euros per share on 29 May 2024. In line with our general dividend policy, we will also pay an interim dividend of 1 euro per share in November 2024 as an advance on the total dividend for financial year 2024.

Our solvency position remained strong, as illustrated by a fully loaded common equity ratio (CET1) of 15.1% at 30 June 2024, compared to 15.2% at the end of 2023. The solvency ratio for KBC Insurance under the Solvency II framework was 200% at the end of June 2024, compared to 206% at the end of 2023. We have provided more details and additional information on solvency under 'Solvency' in the 'Additional information' section of the quarterly report.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 160% and an NSFR ratio of 139%, compared to 159% and 136%, respectively, at the end of 2023.



# Analysis of the year-to-date period (1H2024)

## Net result for 1H2024: 1 431 million euros

down 23% year-on-year (down just 3% excluding the positive one-off gain on the Irish portfolio sale in the reference period)

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Highlights (compared to the first six months of 2023, unless otherwise stated):

- **Net interest income:** up 1% to 2 748 million euros. This was attributable in part to the sharply higher commercial transformation result, much higher ALM result and increased interest income on customer term deposits, partly offset by lower lending income (as lower margins in some core markets more than offset volume growth), the impact of the sale of the remaining Irish portfolios in February 2023, higher costs related to the minimum required reserves held with central banks, lower interest income from short-term cash management activities, lower interest income from the dealing room, the higher funding cost of participations and higher wholesale funding costs, as well as a negative forex effect. On an organic basis (excluding changes in the scope of consolidation and forex effects), the volume of customer loans rose by 4% while deposits excluding debt certificates were stable year-on-year (-1% when also excluding KBC Bank's foreign branches). The net interest margin in the first six months of 2024 came to 2.09%, up 1 basis point year-on-year.
- **Insurance service result** (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held): up 7% to 247 million euros. The non-life combined ratio for the first six months of 2024 amounted to 87%, the same level as for full-year 2023. Non-life insurance sales were up 9% to 1 353 million euros, with increases in all classes, while life insurance sales were up 15% to 1 385 million euros, thanks mainly to higher sales of unit-linked products.
- **Net fee and commission income:** up 7% to 1 237 million euros. This was attributable primarily to higher fees for asset management services (higher management fees). At the end of June 2024, total assets under management were up 17% to 262 billion euros due to a combination of net inflows (+6 percentage points) and the effect of a positive market performance (+10 percentage points).
- **Trading & fair value income and insurance finance income and expense:** down 109 million euros to -52 million euros. This was due mainly to a lower result from derivatives used for asset/liability management purposes.
- **All other income items combined:** down 76% to 142 million euros. This came about mainly because of lower net other income, as the first half of 2023 had included a 405-million-euro gain on the sale of the loan and deposit portfolios of KBC Bank Ireland (recorded under 'Net other income').
- **Operating expenses without bank and insurance taxes:** down 1% to 2 137 million euros. This was attributable in part to lower costs in Ireland (following the sale of the Irish portfolios in February 2023) and a forex effect (depreciation of the Czech koruna and Hungarian forint against the euro), partly offset by the negative impact of higher staff costs, among other factors. Bank and insurance taxes amounted to 521 million euros, down 16% year-on-year (thanks primarily to significantly lower contributions to the Single Resolution Fund). The cost/income ratio amounted to 46% when certain non-operating items are excluded and bank and insurance taxes spread evenly throughout the year (49% for full-year 2023). When bank and insurance taxes are fully excluded, the cost-income ratio for the period under review amounted to 42% (43% for full-year 2023).
- **Loan loss impairment:** net charge of 88 million euros, as opposed to a net release of 47 million euros in the reference period. The first six months of 2024 included a net charge of 101 million euros for individual loans and a net release of 13 million euros in the reserve for geopolitical and macro-economic uncertainties. As a result, the credit cost ratio amounted to 0.09%, compared to 0.00% for full-year 2023. Impairment charges on assets other than loans amounted to 13 million euros, compared to 29 million euros in the reference period.
- **The 1 431-million-euro net result for the first six months of 2024** breaks down as follows: 761 million euros for the Belgium Business Unit (down 113 million euros on its year-earlier level), 441 million euros for the Czech Republic Business Unit (down 20 million euros), 370 million euros for the International Markets Business Unit (up 72 million euros) and -141 million euros for the Group Centre (down 356 million euros, owing entirely to the gain realised on the sale of the loan and deposit portfolios of KBC Bank Ireland in the reference period).

# ESG developments, risk statement and economic views

## ESG developments

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Sustainability remains a pivotal factor in KBC's overarching corporate strategy. We build upon past efforts, aiming to achieve the targets we have set for ourselves by actively engaging in dialogue with our customers. By understanding their unique needs and challenges, we tailor solutions to support their sustainability transition. Our commitment extends beyond financial services and includes providing expert advice to empower customers in making informed decisions. Together, we drive positive change and contribute to a more sustainable future.

Our sustained efforts as regards sustainability have once again been recognised as best-in-class by external ESG rating agencies. Our latest FTSE Russell ESG score increased from 4.7 to the highest possible score of 5, solidifying our position in the FTSE4Good index.

## Risk statement

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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 factors are considered to constitute the main challenges for the financial sector. These stem primarily from the mostly indirect, but lingering, impact of the war in Ukraine, including the delayed effects of the increase in energy and commodity prices and the supply-side shortages it triggered. This led to a surge in inflation, resulting in upward pressure on interest rates, lower growth prospects (or even fears of a recession) and some concerns about the creditworthiness of counterparties in the economic sectors most exposed. Geopolitical risks remain elevated, as evidenced by the escalating conflict in Gaza/Israel and the Middle East. A significant number of elections in 2024 across the world, including in the US, are adding to the geopolitical uncertainty. All these risks affect global, but especially, European economies, including KBC's home markets. Regulatory and compliance risks (including in relation to capital requirements, anti-money laundering regulations, GDPR and ESG/sustainability) also remain a dominant theme for the sector, as does enhanced consumer protection. Digitalisation (with technology, including AI, as a catalyst) presents both opportunities and threats to the business model of traditional financial institutions, while climate and environmental-related risks are becoming increasingly prevalent. 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. The war in Ukraine has triggered an increase in attacks worldwide. Finally, we have seen governments across Europe taking additional measures to support their budgets (via increased tax contributions from the financial sector) and their citizens and corporate sector (by, for instance, implementing interest rate caps on loans or by pushing for higher rates on savings accounts).

We provide risk management data in our annual reports, quarterly reports and dedicated risk reports, all of which are available at [www.kbc.com](http://www.kbc.com).

## Our view on economic growth

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After posting 0.4% in the first quarter of 2024 (non-annualised), US growth accelerated in the second quarter to 0.7%, driven primarily by inventory build-up and private consumption. Quarter-on-quarter growth is expected to moderate again to about 0.3% in the third quarter of 2024, since the strong inventory build-up of the second quarter is unlikely to be repeated.

Euro-area growth in the second quarter was in line with the first quarter (0.3%). The manufacturing sector exhibited persistent weakness, while the service sector displayed signs of recovery, which likely supported second-quarter growth. From the second half of 2024 onwards, growth is expected to continue around the current growth rate, driven mainly by domestic consumption that will benefit from a recovery in real wages.

Quarter-on-quarter growth in the second quarter in Belgium amounted to 0.2%, slightly lower than in the first quarter. Relatively strong domestic demand probably still outweighed the negative contribution to growth of net exports. For the remainder of 2024, we expect growth to remain broadly in line with that of the euro area.

Meanwhile, the Czech economy accelerated its recovery in the second quarter of 2024 to 0.3%, despite weak foreign demand, compared to 0.2% in the first quarter. Second-quarter growth was supported mainly by private consumption due to real wage growth. Weak external demand weighed much more on second quarter growth in Hungary, which surprised strongly to the downside (-0.2%). Based on our latest estimates, second quarter growth in our other Central European home markets points to an ongoing recovery (Bulgaria and Slovakia both 0.7%).

The main risks to our short-term outlook for European growth include the global weakness of the manufacturing sector and adverse spillovers to Europe from a potentially weaker-than-expected US labour market. Moreover, current geopolitical tensions pose risks in the form of escalating protectionism, supply chain disruptions and higher energy and commodity prices. In addition, the global economic implications of the outcome of the US presidential election in November 2024, as well as the government budget discussions in the EU for 2025 against the background of the re-activated rules of the EU Stability and Growth Pact, might impact growth and the short-term country risk premiums of European economies.

## Our view on interest rates and foreign exchange rates

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Disinflation in the euro area paused in the second quarter, but is most likely still on track. Meanwhile, the latest US inflation data pointed to a resumption of the disinflation process after a number of earlier inflation upticks. Consequently, the ECB started its rate-cutting cycle in June 2024 by lowering its deposit rate by 25 basis points and is expected to cut it by another 25 basis points in September. The Fed is also expected to start its rate-cutting cycle in September. In the background, the run-down of the Fed's and ECB's balance sheet (Quantitative Tightening) continues. Moreover, the ECB will end reinvesting maturing assets in its PEPP portfolio from 2025 on, after a transition period in the second half of 2024.

Benchmark US and German bond yields in the second quarter have been fluctuating. This volatility was caused by evolving market expectations of Fed and ECB rate policies and changing risk sentiment towards global and specific European (political) risk factors. In early August, market fears about US growth in particular caused US and, to a lesser extent, German yields to fall markedly.

The US dollar was volatile during the second quarter. The two main driving forces were market expectations for the monetary policy pursued by the Fed and the ECB, as well as risk sentiment prompting a flight to safe (USD) assets that led to a stronger dollar at the time of the European and subsequent French parliamentary elections. When it became clear that the extreme risk scenarios in both elections had been avoided, risk sentiment normalised again somewhat, resulting in a weaker US dollar. We expect the US dollar to appreciate mainly as a result of deteriorating risk sentiment in the run-up to the US elections in November. However, based on long-term fundamentals, the US dollar is likely to gradually weaken again from the fourth quarter of 2024 on.

In early May, the Czech National Bank (CNB) continued its rate-cutting cycle by a further 50 basis points, followed by another 50-basis-point cut at the end of June and a smaller cut by 25 basis points in early August. More rate cuts are expected. Since the beginning of the second quarter, the Czech koruna has basically remained broadly stable. However, there were two distinct periods. Until mid-June, the koruna appreciated markedly, mainly on the back of the more cautious easing approach of the CNB and the weakness of the US dollar at that time. From mid-June on, when risk sentiment deteriorated suddenly and the US dollar appreciated, the koruna started depreciating again. However, against the background of still substantial interest rate differentials, and as part of a more structural convergence process for the Czech economy, the koruna is expected to appreciate moderately again in the coming quarters.

In the second quarter of 2024, the National Bank of Hungary (NBH) cut its policy rate three more times, twice by 50 basis points and once by 25 basis points. In July, another cut of 25 basis points was effected. More gradual rate cuts are expected. The exchange rate of the Hungarian forint against the euro has been volatile since the start of the second quarter. Major driving factors have been (global) risk sentiment and the pace of rate cuts by the NBH. Driven by the structural inflation differential with the euro area, the forint is expected to depreciate in the course of 2024 and beyond.

# Our guidance

## Guidance for full-year 2024

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- Net interest income: increased from initial guidance of 'in the range of 5.3 to 5.5 billion euros' to '5.5 billion euros ballpark figure', supported by organic loan volume growth of approximately 4% (up from 3% initially).
- Insurance revenues (before reinsurance): at least +6% year-on-year (unchanged).
- Operating expenses and insurance commissions paid (excluding bank and insurance taxes): below +1.7% year-on-year, which is substantially below inflation (unchanged).
- Cost/income ratio (excluding bank and insurance taxes): below 45% (unchanged).
- Combined ratio: below 91% (unchanged).
- Credit cost ratio (excluding any changes in the ECL buffer for geopolitical and macroeconomic uncertainties that was still in place at year-end 2023): well below the through-the-cycle credit cost ratio of 25-30 basis points (unchanged).

## Medium to long-term guidance (as provided with the FY 2023 results)

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- CAGR net interest income (2023-2026): at least 1.8%.
- CAGR insurance revenues (before reinsurance) (2023-2026): at least 6%.
- CAGR operating expenses and insurance commissions paid (excluding bank and insurance taxes) (2023-2026): below 1.7%, which is substantially below inflation.
- Cost/income ratio (excluding bank and insurance taxes): below 42% by the end of 2026.
- Combined ratio: below 91%.
- Credit cost ratio (excluding any changes in the ECL buffer for geopolitical and macro-economic uncertainties that was still in place at year-end 2023): well below the through-the-cycle credit cost ratio of 25-30 basis points.
- Indicative view on transitional risk-weighted assets (RWA) evolution under Basel IV (based on current EU consensus, a static balance sheet and all other parameters ceteris paribus, without any mitigating actions): we expect a fully loaded impact of approximately +8 billion euros by 1 January 2033 (no first-time application impact on 1 January 2025). Numbers will be updated together with the 3Q2024 earnings release.

## Capital distribution policy (unchanged)

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- Dividend policy for 2024: payout ratio (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit for the financial year, and interim dividend of 1 euro per share in November as an advance on the total dividend.
- Capital deployment policy for 2024: on top of the payout ratio of at least 50% of consolidated profit, when announcing the full year results, the Board of Directors will, at its discretion, take a decision on the distribution of the capital above 15.0% fully loaded common equity ratio (the so-called surplus capital). The distribution of this surplus capital can be in the form of a cash dividend, a share buy-back or a combination of both.
- Given the introduction of Basel IV on 1 January 2025, the dividend policy and the surplus capital threshold will be reviewed in the first half of 2025.

## Upcoming events and references

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Agenda	3Q2024 results: 7 Nov. 2024
	Interim dividend of 1 euro: ex-coupon: 12 Nov. 2024, record: 13 Nov. 2024, payment: 14 Nov. 2024.
	4Q2024 results: 13 Feb.2025
	Other events: <a href="http://www.kbc.com">www.kbc.com</a> / Investor Relations / Financial calendar
More information on 2Q2024	Quarterly report: <a href="http://www.kbc.com">www.kbc.com</a> / Investor Relations / Reports
	Company presentation: <a href="http://www.kbc.com">www.kbc.com</a> / Investor Relations / Presentations

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\* This news item contains information that is subject to the transparency regulations for listed companies.

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