Press Release

Outside trading hours - Regulated information*

Brussels, 15 May 2025 (07.00 a.m. CEST)

KBC Group: First-quarter result of 546 million euros

KBC Group – overview (consolidated, IFRS)	1Q2025	4Q2024	1Q2024
Net result (in millions of EUR)	546	1 116	506
Basic earnings per share (in EUR)	1.32	2.75	1.18
Breakdown of the net result by business unit (in millions of EUR)			
Belgium	*281*	*487*	*243*
Czech Republic	*207*	*238*	*197*
International Markets	*135*	*175*	*146*
Group Centre	*-77*	*215*	*-80*
Parent shareholders' equity per share (in EUR, end of period)	58.8	56.6	54.9

'We recorded a net profit of 546 million euros in the first quarter of 2025. Compared to the result of the previous quarter, our total income benefited from several factors, including increased insurance revenues, trading and fair value income and net other income, while net interest income and net fee and commission income were slightly down as a result of seasonality and some positive year-end effects in the fourth quarter of 2024.
Our loan portfolio continued to expand, increasing by 2% quarter-on-quarter and by 7% year-on-year. Customer deposits – excluding volatile, low-margin short-term deposits at KBC Bank's foreign branches – were stable quarter-on-quarter (with a shift from term deposits to savings accounts) and up 7% year-on-year.
Operating expenses were up, since the bulk of the bank and insurance taxes for the full year are recorded – as usual – in the first quarter. Disregarding bank and insurance taxes, operating expenses fell by 8% quarter-on-quarter. Insurance service expenses also fell, as did loan loss impairment charges, resulting in a very favourable credit cost ratio of just 8 basis points for the quarter under review (16 basis points excluding the changes in the reserve for geopolitical and macroeconomic uncertainties).
Our solvency position remained strong, with an unfloored fully loaded common equity ratio under Basel IV of 14.5% at the end of March 2025. Our liquidity position remained very solid too, as illustrated by an LCR of 157% and NSFR of 140%.

On 8 May 2025, we paid a final dividend of 3.15 euros per share, bringing the total dividend for full-year 2024 to 4.85 euros per share. We also updated our dividend and capital deployment policy. As from 2025, we will pay a dividend of between 50% and 65% of our consolidated result, 1 euro of which will be paid in November as an interim dividend. We aim to remain amongst the better capitalised financial institutions in Europe. Each year, when announcing the full-year results, our Board will take a decision – at its discretion - on capital deployment. The focus will predominantly be on further organic growth alongside mergers and acquisitions. We see a 13% unfloored fully loaded common equity ratio as the minimum.

Furthermore, KBC reached an agreement to acquire 98.45% of 365.bank in Slovakia based on a total value for 365.bank of 761 million euros. This investment will allow us to further strengthen our position in the Slovak market while closing the gap with the top three players in the banking sector. 365.bank is a retail-focused bank with subsidiaries in asset management and consumer finance and is very complementary to the business of KBC's existing Slovak subsidiary ČSOB, leading to significant cost, revenue (cross-selling) and funding synergies. KBC will particularly strengthen its reach in retail banking as well as benefit from access to the unique client base and distribution network of 365.bank and its exclusive partnership with Slovak Post. Closure of the deal is subject to regulatory approval and will reduce our unfloored fully loaded common equity ratio by approximately 50 basis points upon closing, which is expected by the end of this year.

Recent weeks have been characterised by unprecedented macro-economic (trade) uncertainty as a result of the US policy on trade tariffs and its repercussions on the financial markets. Nevertheless, we confirm our short-term and long-term financial guidance. Last but not least, I would like to express my sincerest gratitude towards our customers, employees, shareholders and all other stakeholders for their continued trust in our group.'

Johan Thijs
Chief Executive Office

Financial highlights in 1Q2025

Net interest income slightly decreased by 1% quarter-on-quarter and went up by 4% year-on-year. The net interest margin for the quarter under review amounted to 2.05%, down 3 basis points compared to the previous and year-earlier quarters, respectively. Customer loan volumes were up 2% quarter-on-quarter and 7% year-on-year. Customer deposits, excluding volatile, low-margin short-term deposits at KBC Bank's foreign branches, were stable quarter-on-quarter (with a shift from term deposits to savings accounts) and up 7% year-on-year.

The insurance service result (insurance revenues before reinsurance - insurance service expenses before reinsurance + net result from reinsurance contracts held) amounted to 142 million euros (compared to 125 million euros and 134 million euros in the previous and year-earlier quarters, respectively) and breaks down into 96 million euros for non-life insurance and 45 million euros for life insurance. The non-life insurance combined ratio for the quarter under review amounted to an excellent 86%, compared to 90% for full-year 2024. Non-life insurance sales increased by 8% year-on-year, while life insurance sales were up 39% on the level recorded in the previous quarter and up 32% on their level in the year-earlier quarter.

Net fee and commission income was slightly down (-1%) quarter-on-quarter, due entirely to seasonality and positive year-end effects in the previous quarter. Net fee and commission income was up 12% year-on-year, thanks to higher fees for asset management activities and banking services. Assets under management were down 1% quarter-on-quarter and up 6% year-on-year.

Trading & fair value income and insurance finance income and expense was up 29 million euros and 10 million euros on the figures for the previous and year-earlier quarters, respectively. **Net other income** was above its normal run rate due mainly to higher-than-average gains on the sale of real estate.

Operating expenses excluding bank and insurance taxes were down 8% quarter-on-quarter and up 4% year-on-year. The first quarter of the year traditionally includes the bulk of the bank and insurance taxes for the full year (539 million euros in the first quarter of 2025). The cost/income ratio for the first quarter of 2025 came to 46%, compared to 47% for full-year 2024. In that calculation, certain non-operating items have been excluded and bank and insurance taxes spread evenly throughout the year. When excluding all bank and insurance taxes, the cost/income ratio for the first quarter of 2025 amounted to 41%, compared to 43% for full-year 2024.

Loan loss impairment charges amounted to 38 million euros, compared to 50 million euros in the previous quarter and 16 million euros in the year-earlier quarter. The credit cost ratio for the quarter under review amounted to 0.08%, compared to 0.10% for full-year 2024. Impairment on assets other than loans was virtually zero in the quarter under review.

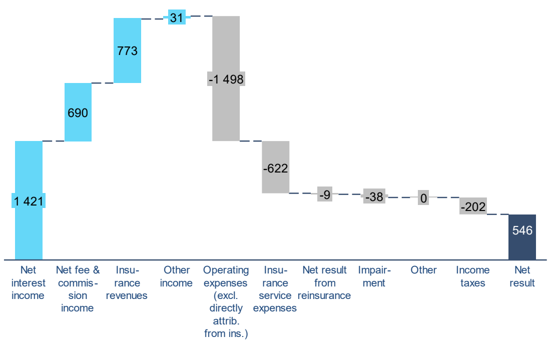
Our **liquidity position** remained strong, with an LCR of 157% and NSFR of 140%. Our **capital base** remained robust, with an unfloored fully loaded common equity ratio of 14.5%*.

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

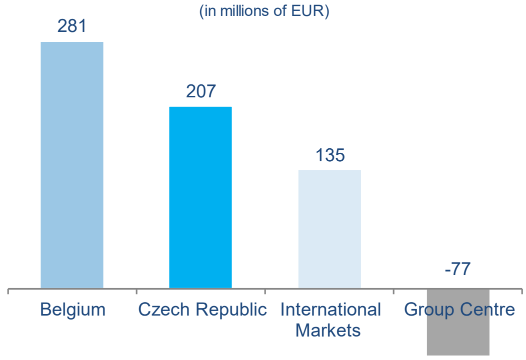
Breakdown of 1Q2025 result

(in millions of EUR)



Contribution of the business units to 1Q2025 group result

(in millions of EUR)



* For the fully loaded common equity ratio as of the first quarter of 2025, KBC focuses on the so-called unfloored fully loaded common equity ratio, which takes into account the total risk-weighted assets impact of Basel IV, excluding the output floor impact.

Overview of results and balance sheet

Consolidated income statement, IFRS, KBC Group (simplified; in millions of EUR)	1Q2025	4Q2024	3Q2024	2Q2024	1Q2024
Net interest income	1 421	1 433	1 394	1 379	1 369
Insurance revenues before reinsurance	773	764	740	726	714
Non-life	*648*	*640*	*631*	*613*	*598*
Life	*125*	*124*	*109*	*114*	*116*
Dividend income	9	13	11	26	7
Net result from financial instruments at fair value through P&L and Insurance finance income and expense	-45	-74	-42	3	-55
Net fee and commission income	690	700	641	623	614
Net other income	67	27	45	51	58
Total income	2 915	2 863	2 787	2 809	2 708
Operating expenses (excl. directly attributable from insurance)	-1 498	-1 126	-1 058	-950	-1 431
Total operating expenses excluding bank and insurance taxes	*-1 106*	*-1 201*	*-1 135*	*-1 074*	*-1 063*
Total bank and insurance taxes	*-539*	*-55*	*-47*	*-2*	*-518*
Minus: operating expenses allocated to insurance service expenses	*148*	*131*	*124*	*126*	*150*
Insurance service expenses before reinsurance	-622	-635	-688	-590	-563
Of which Insurance commission paid	*-102*	*-103*	*-99*	*-92*	*-89*
Non-Life	*-543*	*-561*	*-615*	*-514*	*-489*
Life	*-79*	*-74*	*-72*	*-76*	*-73*
Net result from reinsurance contracts held	-9	-4	28	-24	-18
Impairment	-38	-78	-69	-85	-16
Of which: on financial assets at amortised cost and at fair value through other comprehensive income[1]	*-38*	*-50*	*-61*	*-72*	*-16*
Share in results of associated companies & joint ventures	0	-1	78	2	0
Result before tax	747	1 020	1 079	1 162	680
Income tax expense	-202	96	-211	-237	-175
Result after tax	546	1 115	868	925	506
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**546**	**1 116**	**868**	**925**	**506**
Basic earnings per share (EUR)	1.32	2.75	2.14	2.25	1.18
Diluted earnings per share (EUR)	1.32	2.75	2.14	2.25	1.18

Key consolidated balance sheet figures, IFRS, KBC Group (in millions of EUR)	31-03-2025	31-12-2024	30-09-2024	30-06-2024	31-03-2024
Total assets	380 313	373 048	353 261	361 945	359 477
Loans & advances to customers	197 326	192 067	188 623	187 502	183 722
Securities (equity and debt instruments)	84 419	80 339	75 929	73 941	73 561
Deposits from customers	231 022	228 747	221 851	221 844	216 314
Insurance contract liabilities	16 912	17 111	17 012	16 521	16 602
Liabilities under investment contracts, insurance	15 631	15 671	15 193	14 780	14 319
Total equity	25 191	24 311	23 300	22 936	23 917

Selected ratios KBC Group (consolidated)	1Q2025	FY2024
Return on equity[2]	9%	15%
Cost/income ratio, group - excl. non-operating items and evenly spreading bank and insurance taxes throughout the year - excl. all bank and insurance taxes	46% 41%	47% 43%
Combined ratio, non-life insurance	86%	90%
Common equity ratio (CET1), fully loaded (Basel IV as of 2025, Danish Compromise, unfloored[3])	14.5%	15.0%
Credit cost ratio[4]	0.08%	0.10%
Impaired loans ratio	1.9%	2.0%
for loans more than 90 days past due	1.0%	1.0%
Net stable funding ratio (NSFR)	140%	139%
Liquidity coverage ratio (LCR)	157%	158%

1 Also referred to as 'Loan loss impairment'.
2 15% for the first quarter of 2025 (and 14% for full-year 2024), when non-operating items are excluded and bank and insurance taxes spread evenly throughout the year.
3 For the fully loaded common equity ratio as of the first quarter of 2025, KBC focuses on the so-called unfloored fully loaded common equity ratio, which takes into account the total risk-weighted assets impact of Basel IV, excluding the output floor impact..
4 A negative figure indicates a net impairment release (positively affecting results).

Analysis of the quarter (1Q2025)

Total income: 2 915 million euros

+2% quarter-on-quarter and +8% year-on-year

Net interest income amounted to 1 421 million euros in the quarter under review, slightly down by 1% quarter-on-quarter and up 4% year-on-year.

The quarter-on-quarter change was due to factors such as the positive impact of a higher commercial transformation result, higher lending income (as the positive impact of loan volume growth was only partly offset by the negative impact of pressure on loan margins in some core markets) and higher dealing room interest income. These items were more than offset by the negative impact of the lower number of days in the quarter under review, lower net interest income on inflation-linked bonds, a lower level of interest income from customer term deposits and from short-term cash management activities, higher costs related to the minimum required reserves held with central banks, and the fact that the previous quarter had benefited from a positive correction of 9 million euros arising from a change in the accounting approach to mortgage brokerage fees in Bulgaria (the impact for full-year 2024 was recorded entirely in the fourth quarter). The year-on-year increase was due to a combination of a significantly higher commercial transformation result, higher lending income, lower costs related to the minimum required reserves held with central banks, higher net interest income on inflation-linked bonds and higher dealing room interest income. These items were partly offset by a lower level of interest income from customer term deposits, higher wholesale funding costs and a lower level of interest income from short-term cash management activities.

The net interest margin for the quarter under review amounted to 2.05%, down 3 basis points quarter-on-quarter and year-on-year. Customer loan volume (197 billion euros) was up 2% quarter-on-quarter and 7% year-on-year. Customer deposits (231 billion euros) were stable quarter-on-quarter (with a shift from term deposits to savings accounts) and up 6% 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 also stable quarter-on-quarter and up 7% year-on-year. The growth figures above exclude the forex-related impact.

For guidance regarding expected net interest income in 2025 and the years to come, please refer to the section entitled 'Our guidance'.

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 142 million euros and breaks down into 96 million euros for non-life insurance and 45 million euros for life insurance.

The **non-life** insurance service result rose by 27% quarter-on-quarter, thanks to lower insurance service expenses coupled with higher insurance revenues, and only partly offset by a worse reinsurance result. It was up 3% year-on-year as higher insurance revenues and a better reinsurance result were for a large part offset by increased insurance service expenses.

The **life** insurance service result was down 8% quarter-on-quarter, essentially due to higher insurance service expenses. It was up 12% year-on-year, as increased insurance revenues and a better reinsurance result more than offset the higher insurance service expenses.

The combined ratio of the non-life insurance activities amounted to an excellent 86% for the quarter under review, compared to 90% for full-year 2024. Non-life insurance sales came to 792 million euros and were up 8% year-on-year, with growth in all countries and all the main classes. Sales of life insurance products amounted to 1 013 million euros and were up 39% on the level recorded in the previous quarter, thanks to a large increase in unit-linked insurance sales in Belgium (supported by structured issues), and up 32% on the level recorded in the year-earlier quarter (higher sales of unit-linked, interest-guaranteed and hybrid products). Overall, the share of guaranteed-interest products and unit-linked products in our life insurance sales in the quarter under review amounted to 33% and 61%, respectively, with hybrid products (mainly in Belgium and the Czech Republic) accounting for the remainder.

For guidance regarding expected insurance revenues and the combined ratio in 2025 and the years to come, please refer to the section entitled 'Our guidance'.

Net fee and commission income amounted to 690 million euros, down 1% quarter-on-quarter and up 12% year-on-year. The slight quarter-on-quarter decrease was due entirely to seasonality and positive year-end effects in the previous quarter, while the significant year-on-year increase was thanks to higher fees for asset management activities (mainly increased management fees) and for various banking services (mainly payment services and network income).

At the end of March 2025, our total assets under management amounted to 273 billion euros, down 1% quarter-on-quarter as the negative market performance in the quarter (-3 percentage points) more than offset the positive impact of net inflows (+2 percentage points). Assets under management still grew by 6% year-on-year, with net inflows accounting for 3 percentage points and the positive market performance during the year accounting for the other 3 percentage points.

Trading & fair value income and insurance finance income and expense amounted to -45 million euros, up 29 million euros quarter-on-quarter and 10 million euros year-on-year. Quarter-on-quarter, the improvement was mainly thanks to a positive evolution of the market value of derivatives used for asset/liability management purposes and a higher dealing room result, whereas year-on-year, the improvement was mainly thanks to a positive evolution of the market value of derivatives used for asset/liability management purposes, partly offset by lower dealing room results.

The **other remaining income items** included dividend income of 9 million euros and net other income of 67 million euros. The latter was above its (50-million-euro) normal run rate, due mainly to higher-than-average gains on the sale of real estate.

Operating expenses excluding bank and insurance taxes: 1 106 million euros

-8% quarter-on-quarter and +4% year-on-year

Operating expenses excluding bank and insurance taxes amounted to 1 106 million euros in the first quarter of 2025, down 8% on their level in the previous quarter and up 4% year-on-year*. The quarter-on-quarter decrease was due mainly to seasonally lower expenses for marketing and professional fees, decreased ICT costs and lower facilities costs, partly offset by higher staff costs. The year-on-year increase of operating expenses excluding bank and insurance taxes was mainly caused by higher staff costs (wage drift and indexation, partly offset by fewer FTEs), ICT expenses and depreciation charges.

Bank and insurance taxes in the quarter under review amounted to 539 million euros, compared to 55 million euros in the previous quarter, as the bulk of the bank and insurance taxes for the full year is traditionally recorded in the first quarter of the year. Year-on-year, bank and insurance taxes were up 4%, owing partly to a higher contribution to the deposit guarantee scheme in Belgium (due to factors such as a higher covered deposit volume), which more than offset the lower contribution to the resolution fund in the Czech Republic and lower (national) bank taxes in Slovakia and Hungary.

When certain non-operating items are excluded and bank and insurance taxes are spread evenly throughout the year, the cost/income ratio for the quarter under review amounted to 46%, compared to 47% for full-year 2024. When excluding all bank and insurance taxes, the cost-income ratio amounted to 41%, compared to 43% in full-year 2024.

For guidance regarding expected operating expenses in 2025 and the years to come, please refer to the section entitled 'Our guidance'.

* Note that operating expenses excluding bank and insurance taxes were low in the first half of 2024, hence we feel comfortable with our full year 2025 guidance of growth for operating expenses excluding bank and insurance taxes of below 2.5% year-on-year.

Loan loss impairment: 38-million-euro net charge

versus a 50-million-euro net charge in the previous quarter and a 16-million-euro net charge in the year-earlier quarter

In the quarter under review, we recorded a 38-million-euro net loan loss impairment charge, compared to a net charge of 50 million euros in the previous quarter and a net charge of 16 million euros in the year-earlier quarter. The net impairment charge in the quarter under review included a charge of 83 million euros in respect of our loan book (41 million euros of which related to lowering the backstop shortfall for old non-performing loans in Belgium) and a model-driven release of 45 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 72 million euros at the end of March 2025.

The resulting credit cost ratio amounted to 0.08% for the quarter under review (0.16% excluding the changes in the reserve for geopolitical and macroeconomic uncertainties), compared to 0.10% for full-year 2024 (0.16% excluding the changes in the reserve for geopolitical and macroeconomic uncertainties). At the end of March 2025, 1.9% of our total loan book was classified as impaired ('Stage 3'), compared to 2.0% at year-end 2024. Impaired loans that are more than 90 days past due amounted to 1.0% of the loan book, the same as at year-end 2024.

For guidance regarding the expected credit cost ratio in 2025 and the years to come, please refer to the section entitled 'Our guidance'.

Impairment charges on assets *other than loans* were negligible in the quarter under review, compared to 28 million euros in the previous quarter and also negligible in the year-earlier quarter.

Net result by business unit

Belgium 281 million euros; Czech Rep. 207 million euros; International Markets 135 million euros; Group Centre -77 million euros

Belgium: the net result (281 million euros) was, at first sight, down 42% on the result for the previous quarter. However, when excluding the bank and insurance taxes (the bulk of the amount for the full year being recorded in the first quarter and hence distorting the quarter-on-quarter comparison), the net result was up 23% quarter-on-quarter. This was due to the combined effect of:

- higher total income (accounted for mainly by higher trading & fair value income, net fee and commission income and other income, and partly offset by lower net interest income and dividend income);
- lower costs (partly seasonal);
- slightly lower insurance service expenses after reinsurance;
- lower impairment charges.

Czech Republic: the net result (207 million euros) was, at first sight, down 13% on the result of the previous quarter. However, when excluding the bank and insurance taxes, the net result was down only 5% quarter-on-quarter. This was due to the combined effect of:

- slightly lower total income (due primarily to lower trading & fair value income);
- lower costs;
- more or less stable insurance service expenses after reinsurance;
- a net impairment charge compared to a net release in the previous quarter.

International Markets: the 135-million-euro net result breaks down as follows: 34 million euros in Slovakia, 35 million euros in Hungary and 66 million euros in Bulgaria. For the business unit as a whole, the net result was, at first glance, down 23% on the previous quarter's result. However, when excluding the bank and insurance taxes, the net result was up 24% quarter-on-quarter. This was due to the combined effect of:

- higher total income (increase in insurance revenues and net other income, partly offset by a decrease in net fee and commission income);
- lower costs;
- higher insurance service expenses after reinsurance;
- lower net impairment charges.

Group Centre: the net result (-77 million euros) was 292 million euros lower than the figure recorded in the previous quarter, largely due to much higher income taxes as the previous quarter had included a 318-million-euro one-off tax benefit due to the liquidation of Exicon (the remaining activities of KBC Bank Ireland).

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).

	Belgium		Czech Republic		International Markets	
Selected ratios by business unit	**1Q2025**	**FY2024**	**1Q2025**	**FY2024**	**1Q2025**	**FY2024**
Cost/income ratio						
- excl. non-operating items and evenly spreading bank and insurance taxes throughout the year	43%	44%	43%	45%	46%	46%
- excl. all bank and insurance taxes	39%	41%	42%	43%	37%	38%
Combined ratio, non-life insurance	86%	88%	81%	86%	95%[2]	96%[2]
Credit cost ratio[1]	0.07%	0.19%	0.13%	-0.09%	0.05%	-0.08%
Impaired loans ratio	1.9%	2.0%	1.3%	1.3%	1.6%	1.6%

1 A negative figure indicates a net impairment release (positively affecting results). See 'Details of ratios and terms' in the quarterly report.
2 Excluding windfall bank and insurance taxes in Hungary, the combined ratio amounted to 93% for full-year 2024 and 87% for the first quarter of 2025.

Solvency and liquidity

Common equity ratio of 14.5%, NSFR of 140%, LCR of 157%

At the end of March 2025, total equity came to 25.2 billion euros and comprised 23.3 billion euros in parent shareholders' equity and 1.9 billion euros in additional tier-1 instruments. Total equity was up 0.9 billion euros on its level at the end of 2024. This was due to the combined effect of:

- the inclusion of the profit for the first quarter of 2025 (+0.5 billion euros);
- higher revaluation reserves (+0.4 billion euros);
- 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.

In the first quarter of 2025, risk-weighted assets rose by 4.8 billion euros quarter-on-quarter to 124.8 billion euros, mainly driven by the application of Basel IV (see below) and volume growth.

Our solvency position remained strong, as illustrated by an unfloored fully loaded common equity ratio (CET1) of 14.5% under Basel IV at 31 March 2025, compared to 15.0% under Basel III at the end of 2024 (corresponding to 14.6% under Basel IV). The solvency ratio for KBC Insurance under the Solvency II framework was 210% at the end of March 2025, compared to 200% at the end of 2024. We have provided more details on solvency under 'Solvency' in the 'Additional information' section of the quarterly report.

The Annual General Meeting of Shareholders of 30 April 2025 approved a total gross dividend of 4.85 euros per share for financial year 2024, with an interim dividend of 1.0 euro and an extraordinary dividend of 0.70 euros paid in 2024 and the remaining 3.15 euros per share paid on 8 May 2025. The updated dividend policy and capital deployment policy is explained in the 'Our guidance' chapter of this report.

Our liquidity position also remained excellent, as reflected in an LCR ratio of 157% and an NSFR ratio of 140%, compared to 158% and 139%, respectively, at the end of 2024, all well above the regulatory minima of 100%.

ESG developments, risk statement and economic views

ESG developments

KBC, in partnership with its customers, employees and other stakeholders, continues to take important steps in the sustainability journey it embarked upon years ago.

We transparently and consistently share sustainability information, and as of this year we do so in both a dedicated Sustainability Statement in our Annual Report as well as our voluntary Sustainability Report, both available at www.kbc.com.
We are proud that the progress made continues to be recognised by internationally renowned sustainability organisations and rating agencies such as CDP, Sustainalytics, MSCI and S&P Dow Jones Indices.

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 factors are considered to constitute the main challenges for the financial sector. These stem primarily from geopolitical risks which have increased significantly over the past few years (including the war in Ukraine, conflicts in the Middle East and trade wars as a consequence of US tariff policies). These risks result or may result in shocks for the global economic system (e.g., GDP and inflation) and the financial markets (including interest rates). European economies, including KBC's home markets, are affected too, creating an uncertain business environment, including for financial institutions. Regulatory and compliance risks (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 and geopolitical tensions in general have 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.

Our view on economic growth

US economic activity fell by 0.1% (non-annualised) in the first quarter of 2025, compared to positive growth of 0.6% in the final quarter of 2024. The decline was mainly due to a large rise in imports as companies anticipated the expected increase in import tariffs. As a result of recent US economic policy, specifically with respect to import tariffs, growth in the US is expected to remain subdued, and possibly even negative, in the next few quarters.

Euro area growth in the first quarter amounted to 0.4%, after 0.2% in the fourth quarter of 2024. Export growth strengthened ahead of the tariff announcement. The manufacturing sector shows tentative signs of bottoming out, but the expected recovery in the service sector has not (yet) materialised. Uncertainty around economic policy and the ongoing trade conflict are likely to lead to low economic growth in the euro area over the next quarters. The medium-term growth outlook improves on the back of expected defence spending and infrastructure investments.

Quarter-on-quarter growth in Belgium was 0.4% in the first quarter, implying a strengthening of growth dynamics compared to the previous quarter. Relatively strong domestic demand continued to outweigh the negative contribution to growth from net exports. For the next few quarters, we expect growth to remain broadly in line with that of the euro area.

The Czech economy grew by 0.5% in the first quarter, after 0.7% in the fourth quarter of 2024. This was supported by private consumption against the background of a weak and delayed industrial recovery. Hungarian economic activity shrank by 0.2% in the first quarter due to an industry slump. According to our estimates, first quarter growth in Bulgaria and Slovakia was still relatively resilient at 0.4% and 0.3%, respectively.

The main risk to our short-term outlook for European growth is a further escalation of the ongoing global trade conflict. More specifically, uncertainty is being caused by the prospect of further US policy actions, the EU's response to this and to the potential trade diversion of Chinese export goods away from the US market towards the EU.

Our view on interest rates and foreign exchange rates

In the euro area, inflation remained unchanged at 2.2% in April, driven by the negative demand shock caused by trade tariffs imposed by the US, lower energy prices and the strength of the euro exchange rate. This disinflationary pressure is likely to persist in the coming months. In the US, inflation was 2.4% in March and is likely to increase in the course of 2025 as a consequence of the import tariffs imposed by the government there.

The ECB continued its easing cycle and cut its deposit rate in January, March and April 2025 to its current level of 2.25%. The ECB is expected to cut its policy rate further.

The Fed put its easing cycle on pause in the first quarter amidst economic uncertainty. While the Fed has downgraded its growth outlook due to the trade tariffs imposed, it upgraded its inflation outlook due to the inflationary impact that these tariffs are likely to have. On balance, the Fed is now expected to maintain its pause in the second quarter. If its assessment of the impact of US economic policies allows, the Fed will resume its cautious easing path in the second half of 2025.

There has been a disconnect between the 10-year bond yields in the US and Germany since the start of the first quarter. This was mainly driven by two events. First, a huge fiscal spending plan was passed in the German parliament covering defence spending and infrastructure investment. Increased defence spending plans were also announced at EU level. As a result of the changed German fiscal stance, German 10-year bond yields temporarily rose sharply in early March (before subsequently moderating again). This rise lowered the US-German 10-year spread to about 140 basis points, coming from well over 200 basis points at the beginning of the first quarter. Following this, the announcement of so-called reciprocal tariffs by the US on 2 April led to a sharp rise in US 10-year bond yields, increasing the US-German spread again to about 180 basis points in mid-May. The rise of US bond yields was initially driven by higher inflation expectations and the markets' expectation of future Fed monetary policy. In a second phase, the rise also gradually started to reflect a more general risk aversion towards US assets. This was reflected in the sharp depreciation of the US dollar in April.

The Czech National Bank cut its policy rate in February and May 2025 by 25 basis points each to the current level of 3.50%. The Czech National Bank is expected to moderately cut its policy rate further. Since the beginning of the first quarter, the Czech koruna has appreciated moderately overall due to the weak US dollar and lower energy prices. The koruna is expected to broadly remain stable in the coming quarters.

The Hungarian central bank kept its policy rate unchanged at 6.5% during the first quarter and it is expected to maintain its pause during the second quarter as well. The forint strengthened against the euro for most of the first quarter. However, after the announcement of the reciprocal US tariffs on 2 April, the forint started to depreciate against the euro.

Our guidance

Guidance for full-year 2025 (as provided with the full year 2024 results)

- Total income: at least +5.5% year-on-year
- Net interest income: at least 5.7 billion euros, supported by organic loan volume growth of approximately 4%
  (based on the following assumptions: (i) market forward rates of early February, (ii) no speculation on potential measures from any government and (iii) conservative pass-through rates on savings accounts)
- Insurance revenues (before reinsurance): at least +7% year-on-year
- Operating expenses (excluding bank and insurance taxes): below +2.5% year-on-year
  (below full-year 2024 growth excluding Ireland of +2.7%)
- Combined ratio: below 91%
- Credit cost ratio: well below the through-the-cycle credit cost ratio of 25-30 basis points

Medium to long-term guidance (as provided with the full year 2024 results)

- CAGR total income (2024-2027): at least +6%
- CAGR net interest income (2024-2027): at least +5%
  (based on the following assumptions: (i) market forward rates of early February, (ii) no speculation on potential measures from any government and
  (iii) conservative pass-through rates on savings accounts)
- CAGR insurance revenues (before reinsurance): at least +7%
- CAGR operating expenses (excluding bank and insurance taxes) (2024-2027): below +3%
- Combined ratio: below 91%
- Credit cost ratio: well below the through-the-cycle credit cost ratio of 25-30 basis points

Basel IV (updated)

Moving towards the Basel IV era and assuming a static balance sheet and all other parameters ceteris paribus, without mitigating actions, KBC:

- reports, at 1 January 2025, a first-time application impact of +0.9 billion euros in risk-weighted assets (+1.0 billion euros previously);
- projects, by 1 January 2033, a further impact of +4.2 billion euros in risk-weighted assets (+7.5 billion euros previously);

resulting in a fully loaded impact of +5.1 billion euros in risk-weighted assets (+8.5 billion euros previously).

Dividend and capital deployment policy (updated)

- Dividend policy as of 2025:
  - Payout ratio (including AT1 coupon) between 50% and 65% of consolidated profit of the accounting year;
  - Interim dividend of 1 euro per share in November of each accounting year as an advance on the total dividend.
- Capital deployment policy as of 2025:
  - We aim to remain amongst the better capitalised financial institutions in Europe;
  - Each year (when announcing the full-year results), the Board of Directors will take a decision, at its discretion, on the capital deployment. The focus will predominantly be on further organic growth and M&A;
  - We see a 13% unfloored fully loaded common equity ratio as the minimum;
  - We will fill up the AT1 and Tier 2 buckets within P2R and will start using SRTs (as a part of a risk-weighted assets optimisation programme).

Upcoming events and references

Agenda	2Q2025 results: 7 August 2025 3Q2025 results: 13 November 2025 Other events: www.kbc.com / Investor Relations / Financial calendar
More information on the quarter under review	Quarterly report: www.kbc.com / Investor Relations / Reports Company presentation: www.kbc.com / 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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