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KBC discloses new ECB capital requirements

KBC's capital remains well above the minimum requirements

KBC has been informed by the European Central Bank (ECB) of its new minimum capital requirements. The combined CET1 requirement for KBC Group (under the Danish Compromise) increased from 10.7% previously to 11.1%, only due to increased countercyclical buffers in some of KBC's core countries.

At the end of the third quarter of 2019, KBC Group's CET1 ratio amounted to 15.4%¹, well above the new CET1 requirement.

Following the Supervisory Review and Evaluation Process (SREP) performed for 2019, the ECB has formally notified KBC of its decision to maintain

- ***the pillar 2 requirement (P2R) at 1.75% of CET1***
- ***pillar 2 guidance (P2G) at 1.0% of CET1***

The capital requirement for KBC Group is determined not only by the ECB, but also by the **decisions taken by the various local competent authorities in KBC's core markets**. A number of authorities have decided to change the countercyclical capital buffers as follows:

- increase the countercyclical capital buffer in the Czech Republic from 1.50% to 1.75% effective from 1 January 2020 and to 2.00% effective from 1 July 2020
- increase the countercyclical capital buffer in Slovakia from 1.50% to 2.00% effective from 1 August 2020
- increase the countercyclical capital buffer in Bulgaria from 0.50% to 1.00% effective from 1 April 2020
- introduce a countercyclical capital buffer in Belgium of 0.50% effective from 1 July 2020

That corresponds to an additional CET1 requirement of **0.85%** at KBC group level (up from 0.45%), including all announced decisions on future changes.

The capital buffers for Belgian systemic banks did not change. For KBC, the O-SII (other systemically important institutions) capital buffer requirement is 1.50%, while the capital conservation buffer is 2.50%, as confirmed by **the National Bank of Belgium**. These buffers are held on top of the minimum CET1 requirement of 4.5% under Pillar 1.

For KBC Group, this brings the **overall CET1 requirement (under the Danish Compromise) to 11.1% (10.7% last year), with an additional Pillar 2 guidance of 1%**. KBC clearly exceeds this requirement, as illustrated by its CET1 ratio of 15.4%¹ at the end of the third quarter of 2019.

Johan Thijs, KBC Group CEO, stated: *'The ECB's decision confirms KBC's medium-low risk profile and its resilience to adverse economic conditions. Our capital position is an extremely solid one and that sends out a reassuring signal to all stakeholders placing their trust in us.'*

¹ 15.9% when including 9M19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

KBC will continue to pursue a policy of maintaining a dynamic buffer above the legally required minimum. That reflects a number of factors, including our attitude towards potentially adverse economic conditions, any new capital requirements and our position relative to our peers. We've set our 'own capital target' at 14% of CET1 and want to keep a flexible buffer of up to 1.7% of CET1 for potential mergers and acquisitions that would strengthen our position in our core markets. The aggregate figure of 15.7% of CET1 represents the 'reference capital position'.

We will also continue to concentrate on our sound fundamentals of having a dynamic client-driven bank-insurance business model, a healthy risk profile, a robust liquidity position supported by a very solid and loyal customer deposit base in our core markets, and a comfortable solvency position that enables us to continue to increase lending to our clients and actively support the communities and economies in which we operate and further build on future proof digital transformation and customer solutions.'

More details on the composition of the new capital requirements can be found in the table attached to this press release and at www.kbc.com.

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

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Fully loaded figures

Previous targets

NEW targets

Pillar 1 minimum requirement (P1 min)	CET1	4,50%	4,50%
	AT1	1,50%	1,50%
	T2	2,00%	2,00%
Pillar 2 requirement (P2R)	CET1	1,75%	1,75%

Total SREP Capital Requirement (TSCR)	CET1	6,25%	6,25%
	Tier 1	7,75%	7,75%
	Total capital	9,75%	9,75%

Combined Buffer Requirement (CBR)

Conservation buffer	CET1	2,50%	2,50%
O-SII buffer	CET1	1,50%	1,50%
Countercyclical buffer	CET1	0,45%	0,85%

Overall capital requirement (OCR)
= MDA threshold

CET1	10,70%	11,10%
Tier 1	12,20%	12,60%
Total capital	14,20%	14,60%

Pillar 2 Guidance (P2G)

CET1	1,00%	1,00%
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OCR + P2G

CET1	11,70%	12,10%
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