Press Release

Outside trading hours - Regulated information*

Brussels, 16 December 2022 (6 p.m. CET)

KBC discloses new 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. Following the Supervisory Review and Evaluation Process (SREP) performed for 2022, the ECB has formally notified KBC of its decision to maintain:

- ***the Pillar 2 Requirement (P2R) at 1.86% of CET1***
- ***the Pillar 2 Guidance (P2G) at 1.0% of CET1***

The fully loaded overall CET1 requirement for KBC Group (under the Danish Compromise) has gone up from 10.81% (at year-end 2021) to 11.43%, due entirely to increased countercyclical buffers in some of KBC's core countries and the introduction of a systemic risk buffer for Belgian mortgages.
At the end of the third quarter of 2022, KBC Group's fully loaded CET1 ratio amounted to 15%, well above the new CET1 requirement.

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 2.00% to 2.50% effective from 1 April 2023
- increase the countercyclical capital buffer in Slovakia from 1.00% to 1.50% effective from 1 August 2023
- increase the countercyclical capital buffer in Bulgaria from 1.00% to 1.50% effective from 1 January 2023 and to 2.00% effective from 1 October 2023
- increase the countercyclical capital buffer in Hungary from 0.00% to 0.50% effective from 1 July 2023.

This corresponds to a fully loaded **countercyclical buffer** of **0.75%** at KBC group level (up from 0.45% at year-end 2021), including all announced decisions on future changes.

As of 1st May 2022, **the National Bank of Belgium (NBB)** introduced a **sectorial systemic risk buffer**. This replaces the former risk-weighted assets (RWA) add-on for exposures secured by residential real estate in Belgium and is to be held by all banks that apply the Internal Ratings Based approach (IRB). The amount of the CET1 capital buffer corresponds to 9% of the RWA for the exposures secured by residential real estate in Belgium, which corresponds to **32 basis points** of total RWA for KBC Group consolidated (based on RWAs at the end of September 2022).

The other capital buffers for Belgian systemic banks have not been changed. For KBC, the O-SII (other systemically important institutions) capital buffer requirement is 1.5%, as confirmed by **the NBB,** while the capital conservation buffer is 2.5%. These buffers are held in addition to the minimum CET1 requirement of 4.5% under **Pillar 1**.

For KBC Group, this brings the **overall fully loaded CET1 requirement (under the Danish Compromise) to 11.43%, with an additional Pillar 2 Guidance of 1% CET1**. KBC clearly exceeds this requirement, as illustrated by **its fully loaded CET1 ratio of 15% at the end of the third quarter of 2022.**

Note that the overall fully loaded CET1 requirement (under the Danish Compromise) would be **10.62%** instead of 11.43% were **the P2R split according to Article 104a of Capital Requirement Directive V to be applied**.

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, which sends out a reassuring signal to all stakeholders placing their trust in us.*

We aim to be amongst the better capitalised financial institutions in Europe. As a consequence, the dividend policy of KBC Group is tailored to that purpose. KBC Group has a payout ratio policy (i.e. dividend plus AT1 coupon) of at least 50% of consolidated profit of the accounting year. Each year, the Board of Directors will decide, at its discretion, on the total dividend based on the assessment of risks, forward looking profitability and strategic opportunities. As of full-year 2022, on top of the payout ratio of at least 50% of consolidated profit, each year (when announcing the full-year results), the Board of Directors will take a decision, at its discretion, on the distribution of the capital above 15.0% fully loaded CET1 ratio, so-called surplus capital.

We will also continue to concentrate on our sound fundamentals of having a dynamic customer-centric, data- and solution-driven, digital-first bank-insurance business model, a healthy risk profile, a robust liquidity position and a comfortable solvency position, supported by a very solid and loyal customer deposit base in our core markets. We will remain focused on sustainable and profitable growth, enabling us to play a beneficial role in society and the local economy for all our stakeholders, and to maintain our place among the best performing and most trusted financial institutions in Europe.'

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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Fully loaded figures		Previous targets year-end 2021	NEW targets without P2R split	NEW targets with P2R split**
Pillar 1 minimum requirement (P1 min)	CET1	4.50%	4.50%	4.50%
	AT1	1.50%	1.50%	1.50%
	T2	2.00%	2.00%	2.00%
Pillar 2 requirement (P2R)	CET1	1.86%	1.86%	1.05%
	AT1			0.35%
	T2			0.47%
Total SREP Capital Requirement (TSCR)	CET1	6.36%	6.36%	5.55%
	Tier 1	7.86%	7.86%	7.40%
	Total capital	9.86%	9.86%	9.86%
Combined Buffer Requirement (CBR)				
Conservation buffer	CET1	2.50%	2.50%	2.50%
O-SII buffer	CET1	1.50%	1.50%	1.50%
Systemic Risk Buffer	CET1	0.00%	0.32%	0.32%
Countercyclical buffer	CET1	0.45%	0.75%	0.75%
Overall capital requirement (OCR) = MDA threshold*	CET1	10.81%	**11.43%**	**10.62%**
	Tier 1	12.31%	12.93%	12.47%
	Total capital	14.31%	14.93%	14.93%
Pillar 2 Guidance (P2G)	CET1	1.00%	1.00%	1.00%
OCR + P2G	CET1	11.81%	**12.43%**	**11.62%**

* Assuming 1.5% AT1 and 2.0% T2 buckets are satisfied with the appropriate instruments

** According to Article 104a of Capital Requirement Directive V