



Brussels, 12 December 2023 (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 2023, the ECB has formally notified KBC of its decision to:

- ***maintain the Pillar 2 Requirement (P2R) at 1.05% CET1¹ as a % of RWA;***
- ***introduce a Pillar 2 Requirement (P2R) at 0.10% Tier-1 as a % of Leverage Ratio Exposure Amount;***
- ***increase the Pillar 2 Guidance (P2G) from 1.0% to 1.25% CET1 as a % of RWA.***

The fully loaded overall CET1 requirement for KBC Group (under the Danish Compromise) has gone up from 10.62% (at year-end 2022) to 10.92%, due entirely to increased countercyclical buffers in some of KBC's core countries, partly offset by a lower systemic risk buffer for Belgian mortgages.

At the end of the third quarter of 2023, KBC Group's fully loaded CET1 ratio amounted to 14.6%, well above the new CET1 requirement.

The changes in the ECB SREP decision compared to previous year are twofold:

- introduction of a Pillar 2 Requirement (P2R) at a limited 0.10% Tier-1 as a % of the Leverage Ratio Exposure Amount. This brings the regulatory requirement for the leverage ratio at 3.1% Tier-1. KBC clearly exceeds this requirement, as illustrated by its fully loaded CET1 ratio of 5.4% at the end of the third quarter of 2023.
- Increase of the Pillar 2 Guidance (P2G) from 1.0% to 1.25% of CET1 as a % of RWA, taking into consideration the outcome of the supervisory stress test conducted in 2023.

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 Belgium from 0.00% to 0.50% effective from 1 April 2024 and to 1.00% effective from 1 October 2024
- lower the countercyclical capital buffer in the Czech Republic from 2.50% to 2.25% effective from 1 July 2023 and to 2.00% effective from 1 October 2024.

This corresponds to a fully loaded **countercyclical buffer** of **1.24%** at KBC group level (up from 0.75% at year-end 2022), 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 NBB

¹ Including P2R split according to Article 104a of Capital Requirement Directive V

announced to lower the Systemic Risk Buffer from 9% to 6%, which corresponds to a reduction of 7 basis points to **14 basis points** of total RWA for KBC Group consolidated (based on RWAs at the end of September 2023).

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 10.92%, with an additional Pillar 2 Guidance of 1.25% CET1**. KBC clearly exceeds this requirement, as illustrated by **its fully loaded CET1 ratio of 14.6% at the end of the third quarter of 2023**.

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 a very 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 2023, 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.

For more information, please contact:

Kurt De Baenst, General Manager, Investor Relations, KBC Group
Tel.: +32 2 429 35 73 – E-mail: kurt.debaenst@kbc.be

Viviane Huybrecht, General Manager of Corporate Communication/KBC Group Spokesperson
Tel.: + 32 2 429 85 45 – E-mail: pressofficekbc@kbc.be

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

KBC Group NV
Havenlaan 2 – 1080 Brussels
Viviane Huybrecht
General Manager of Corporate Communication/
KBC Group Spokesperson
Tel.: + 32 2 429 85 45

Press Office
Tel. + 32 2 429 65 01 Stef Leunens
Tel. + 32 2 429 29 15 Ilse De Muyer
Tel. + 32 2 429 32 88 Pieter Kussé
Tel. + 32 2 429 29 49 Tomas Meyers
pressofficekbc@kbc.be

KBC press releases are available at
www.kbc.com or can be obtained by
sending an e-mail to pressofficekbc@kbc.be
Follow us on www.twitter.com/kbc_group

Fully loaded figures		Previous targets year-end 2022*	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	1.05%	1.05%
	AT1	0.35%	0.35%
	T2	0.47%	0.47%
Total SREP Capital Requirement (TSCR)	CET1	5.55%	5.55%
	Tier 1	7.40%	7.40%
	Total capital	9.86%	9.86%
Combined Buffer Requirement (CBR)			
Conservation buffer	CET1	2.50%	2.50%
O-SII buffer	CET1	1.50%	1.50%
Systemic Risk Buffer	CET1	0.32%	0.14%
Countercyclical buffer	CET1	0.75%	1.24%
Overall capital requirement (OCR) = MDA threshold**	CET1	10.62%	10.92%
	Tier 1	12.47%	12.77%
	Total capital	14.93%	15.24%
Pillar 2 Guidance (P2G)	CET1	1.00%	1.25%
OCR + P2G	CET1	11.62%	12.17%

* Including P2R split according to Article 104a of Capital Requirement Directive V

** Assuming 1.85% AT1 and 2.47% T2 buckets (Pillar 1 + P2R) are satisfied with the appropriate instruments