Press Release

Outside trading hours - Regulated information*

Brussels, 10 February 2022 (7 a.m. CET)

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 fully loaded overall CET1 requirement for KBC Group (under the Danish Compromise) has gone up from 10.45% (at year-end 2020) to 10.81%, due entirely to increased countercyclical buffers in some of KBC's core countries and a small Pillar 2 Requirement add-on for the NPL backstop.
At the end of the fourth quarter of 2021, KBC Group's fully loaded CET1 ratio amounted to 15.5%[1], well above the new CET1 requirement.

Following the Supervisory Review and Evaluation Process (SREP) performed for 2021, the ECB has formally notified KBC of its decision to:

- ***increase the Pillar 2 Requirement (P2R) from 1.75% to 1.86%***
- ***maintain the Pillar 2 Guidance (P2G) at 1.0% of CET1***

The 11 basis-point increase in the P2R relates to the ECB expectation regarding minimum levels of provisioning for non-performing loans which defaulted prior to 1 April 2018 (the so-called 'NPL backstop' or 'calendar provisioning')[2]. KBC has decided not to make a deduction from CET1 capital to cover these loans and thus supplement the IFRS provisions already made. Therefore, the ECB has increased the P2R by 11 basis points.

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 0.50% to 1.00% effective from 1 July 2022, to 1.50% effective from 1 October 2022 and to 2.00% effective from 1 January 2023
- increase the countercyclical capital buffer in Bulgaria from 0.50% to 1.00% effective from 1 October 2022

That corresponds to an additional fully loaded CET1 requirement of **0.45%** at KBC group level (up from 0.20% at year-end 2020), including all announced decisions on future changes.

The 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 National Bank of Belgium,** 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**.

[1] After the proposed dividend distribution

[2] The impact takes into account the agreement between KBC Ireland and CarVal Investors regarding the disposal of non-performing loans

For KBC Group, this brings the **overall fully loaded CET1 requirement (under the Danish Compromise) to 10.81%, with an additional Pillar 2 Guidance of 1% CET1**. KBC clearly exceeds this requirement, as illustrated by **its fully loaded CET1 ratio of 15.5%[1] at the end of the fourth quarter of 2021.**

Note that the overall fully loaded CET1 requirement (under the Danish Compromise) would be **10%** instead of 10.81% were **the P2R split according to Article 104a of Capital Requirement Directive V to be applied**. However, KBC currently does not intend to issue instruments for that purpose.

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. 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. With the announcement of the full-year 2021 results, the Board of Directors proposed to distribute a final gross dividend of 7.6 euros per share, bringing the total gross dividend to 10.6 euros per share which will lead to a fully loaded CET1 ratio (after the proposed capital distribution) of 15.5%, in line with our announced capital deployment plan for full-year 2021. As of full-year 2022, the payout ratio of at least 50% of consolidated profit will be maintained and, 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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* This news item contains information that is subject to the transparency regulations for listed companies.

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Fully loaded figures		Previous targets year-end 2020	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%	1,86%
Total SREP Capital Requirement (TSCR)	CET1	6,25%	6,36%
	Tier 1	7,75%	7,86%
	Total capital	9,75%	9,86%
Combined Buffer Requirement (CBR)			
Conservation buffer	CET1	2,50%	2,50%
O-SII buffer	CET1	1,50%	1,50%
Countercyclical buffer	CET1	0,20%	0,45%
Overall capital requirement (OCR) = MDA threshold*	CET1	10,45%	**10,81%**
	Tier 1	11,95%	12,31%
	Total capital	13,95%	14,31%
Pillar 2 Guidance (P2G)	CET1	1,00%	1,00%
OCR + P2G	CET1	11,45%	**11,81%**

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