



Brussels, 21 December 2017

KBC discloses new ECB capital requirements

KBC's capital remains well above the minimum requirements

KBC has been informed by the European Central Bank of its new minimum capital requirements, leading to a combined overall fully loaded CET1 requirement for KBC (under the Danish Compromise) of 10.6%.

At the close of the third quarter of 2017, KBC's fully loaded CET1 ratio came to 15.9%, well above the new CET1 requirement.

The impact for KBC of the recent Basel Committee agreement on the remaining Basel 3 post-crisis regulatory reforms will be included in the communication re. FY2017 results.

Following the Supervisory Review and Evaluation Process (SREP) performed for 2017, the ECB has formally notified KBC of its decision to maintain

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

The capital requirement for KBC Group is not only determined by the ECB but also by **decisions of the various local competent authorities in KBC's core markets.**

As a matter of fact, **the Czech and Slovak competent authorities'** decision to gradually increase the countercyclical buffer requirement to 1.25%, corresponds with an additional CET1 requirement of 0.20% at KBC Group level. This brings the consolidated countercyclical buffer requirement at 0.35%.

The National Bank of Belgium already announced its capital buffers for Belgian systemic banks last year. For KBC, it means that a capital buffer of 1.5% is required for 2018. Finally, the conservation buffer currently stands at 1.875% for 2018, building up to 2.50% in 2019. These buffers come on top of the minimum CET1 requirement of 4.5% under Pillar 1.

Altogether, this brings the **fully loaded CET1 requirement (under the Danish Compromise) to 10.6% (10.4% last year) with an additional 1% Pillar 2 guidance.** KBC clearly exceeds this requirement: **at the close of the third quarter of 2017, the fully loaded CET1 ratio came to 15.9%.** Furthermore, since part of the requirements are gradually built up by 2019, **the relevant requirement (under the Danish Compromise) for 2018 on a phased-in basis is at a lower level, i.e. 9.875% CET1 (8.65% last year).**

Johan Thijs, KBC Group CEO, welcomed today's announcements stating: *'KBC welcomes the outcome of the ECB decision: it reflects KBC's low risk profile and its resilience to adverse economic conditions. Our capital position is very solid. This sends out a reassuring signal to all stakeholders placing their trust in us.'*

KBC will maintain its policy of holding a dynamic management buffer above the regulatory requirements, which reflects amongst other things our view regarding possible adverse economic conditions, possible upcoming new capital requirements and our position relative to our peers. As communicated during the on-site visit in Dublin in June, KBC has set its 'Own Capital Target' at 14.6% CET1 and wants to keep a flexible buffer of up to 2% CET1 for potential add-on M&A in our core markets on top of this. All together this forms the 'Reference Capital Position', which is 16.6% CET1.

KBC will also continue to focus on its strong fundamentals of 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.'

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

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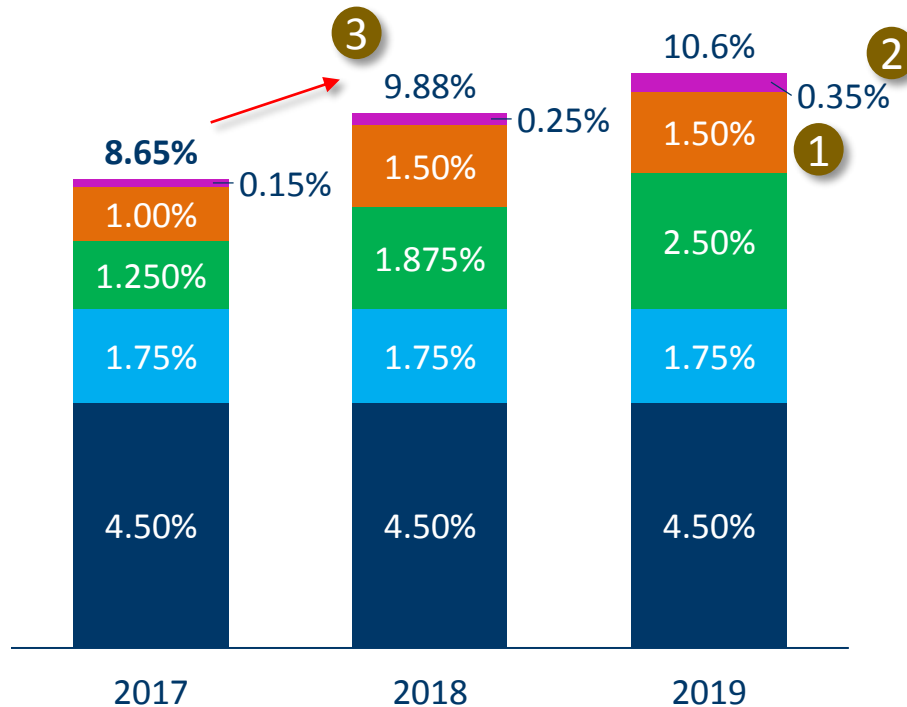
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Minimum CET1 requirements in detail

Following the Supervisory Review and Evaluation Process (SREP) performed for 2017, the ECB has formally notified KBC of its decision to maintain

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

Phasing in of minimum CET1 requirements based on 2017 Joint Capital Decision (JCD)



1

The National Bank of Belgium decided upon a **systemic buffer** that **gradually increases over a 3-year period, reaching 1.5% in 2018**

2

The **Czech and Slovak competent authorities'** decision to gradually increase the countercyclical buffer requirement to 1.25%, corresponds with an additional CET1 requirement of 0.20% at KBC Group level. This brings the consolidated countercyclical buffer requirement at 0.35%.

3

Under the new framework on **Maximum Distributable Amounts (MDA)**, the restriction to pay coupons on AT1 instruments increases from 8.65% in 2017 to 9.88% in 2018 (assuming that the T1 and T2 minimum capital bucket continue to be adequately filled with externally placed instruments).

Target applicable in		2017 phased	2018 phased	2019 fully loaded
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	1,75%	1,75%	1,75%
Total SREP Capital Requirement (TSCR)	CET1	6,25%	6,25%	6,25%
	Tier 1	7,75%	7,75%	7,75%
	Total capital	9,75%	9,75%	9,75%
<u>Combined Buffer Requirement (CBR)</u>				
Conservation buffer	CET1	1,25%	1,875%	2,50%
O-SII buffer	CET1	1,00%	1,50%	1,50%
Countercyclical buffer	CET1	0,15%	0,25%	0,35%
Overall capital requirement (OCR) = MDA threshold	CET1	8,65%	9,875%	10,60%
	Tier 1	10,15%	11,375%	12,10%
	Total capital	12,15%	13,375%	14,10%
Pillar 2 Guidance (P2G)	CET1	1,00%	1,00%	1,00%
OCR + P2G	CET1	9,65%	10,875%	11,60%