Press Release

Outside trading hours – Regulated information*

Brussels, 14 December 2016

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 10.40%.
At the close of the third quarter of 2016, KBC's fully loaded CET1 ratio came to 15.3%, well above the new CET1 requirement.

Following the Supervisory Review and Evaluation Process (SREP) performed for 2016, the ECB has formally notified KBC of its decision to set

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

The total ECB decision of 2.75% CET1 equals the decision of last year, but no split was made at that time between the P2R (which mandatorily restricts profit distribution and therefore is relevant for AT1/ Additional Tier 1 investors) and the P2G (which might affect dividend policy and hence is relevant for shareholders). The fact that the requirement is unchanged reflects KBC's low risk profile and its resilience to adverse economic conditions as demonstrated in the stress tests, the results of which were published on 29 July 2016.

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 introduce a countercyclical buffer requirement of 0.5% in the first and third quarters, respectively, of 2017 corresponds with an additional CET1 requirement of 0.15% at KBC Group level. The objective of a countercyclical buffer is to counteract the effects of the economic cycle on banks' lending activity.

The National Bank of Belgium already announced its capital buffers for Belgian systemic banks last year. For KBC, it means that an additional capital buffer of 1.0% of CET1 is required for 2017, which is to be built up to 1.5% in 2018. Finally, the conservation buffer currently stands at 1.25% for 2017, 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 10.40% (11.25% last year) with an additional 1% guidance**. KBC clearly exceeds this requirement: **at the close of the third quarter of 2016, the fully loaded CET1 ratio came to 15.3%.** Furthermore, since part of the requirements are gradually built up by 2019, **the relevant requirement (under the Danish Compromise) for 2017 on a phased-in basis is at a lower level, i.e. 8.65% CET1 (10.25% last year).**

Johan Thijs, KBC Group CEO, welcomed today's announcements stating: *'KBC welcomes the outcome of the ECB decision because it brings clarity for the group and its stakeholders. The new capital decision is more refined than the previous one and is a slight decrease. 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. 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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KBC Group
Update on the 2016 Joint Capital Decision

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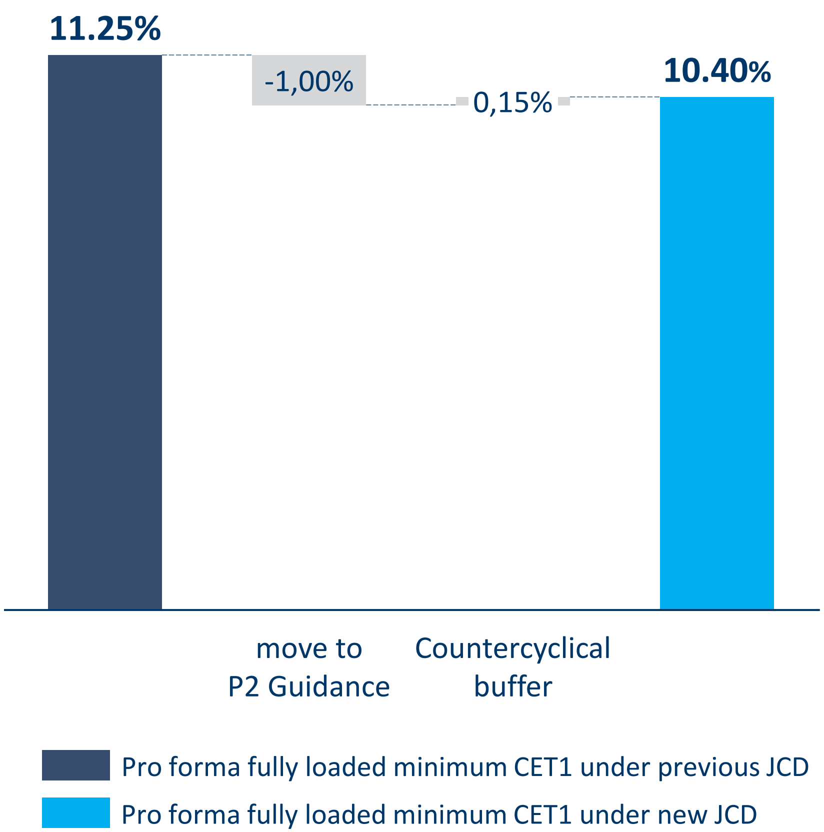
KBC's capital remains well above the minimum requirements



- KBC was informed by the European Central Bank of its **new minimum capital requirements**, leading to a combined overall **fully loaded regulatory CET1 requirement** (under the Danish Compromise) **of 10.40%**

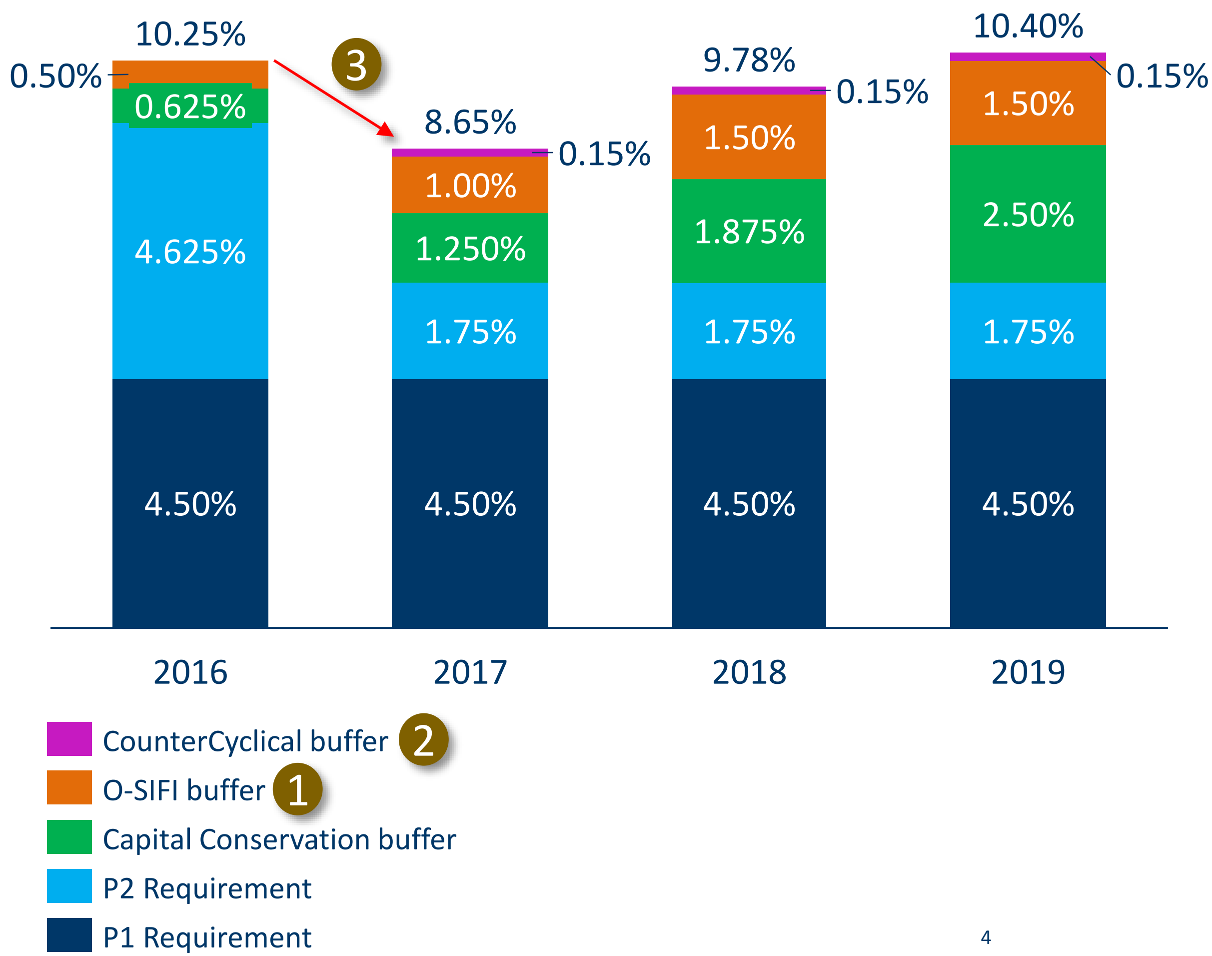
  At the **close of the third quarter of 2016, KBC's fully loaded CET1 ratio came to 15.3%**, well above the new CET1 requirement

- Following the Supervisory Review and Evaluation Process (SREP) performed for 2016, **the ECB formally notified KBC of its decision to set**
  - a pillar 2 requirement (**P2R**) of **1.75% CET1**
  - a pillar 2 guidance (**P2G**) of **1.0% CET1**

For more information, see the press release of 14 December 2016 on www.kbc.com

Minimum CET1 requirements in detail

AT1 coupon non-payment level falling to 8.65% in 2017



1

The National Bank of Belgium decided upon a **systemic buffer** (CET1 phased-in of 0.5% in 2016 under the Danish Compromise) that **gradually increases over a 3-year period, reaching 1.5% in 2018**

2

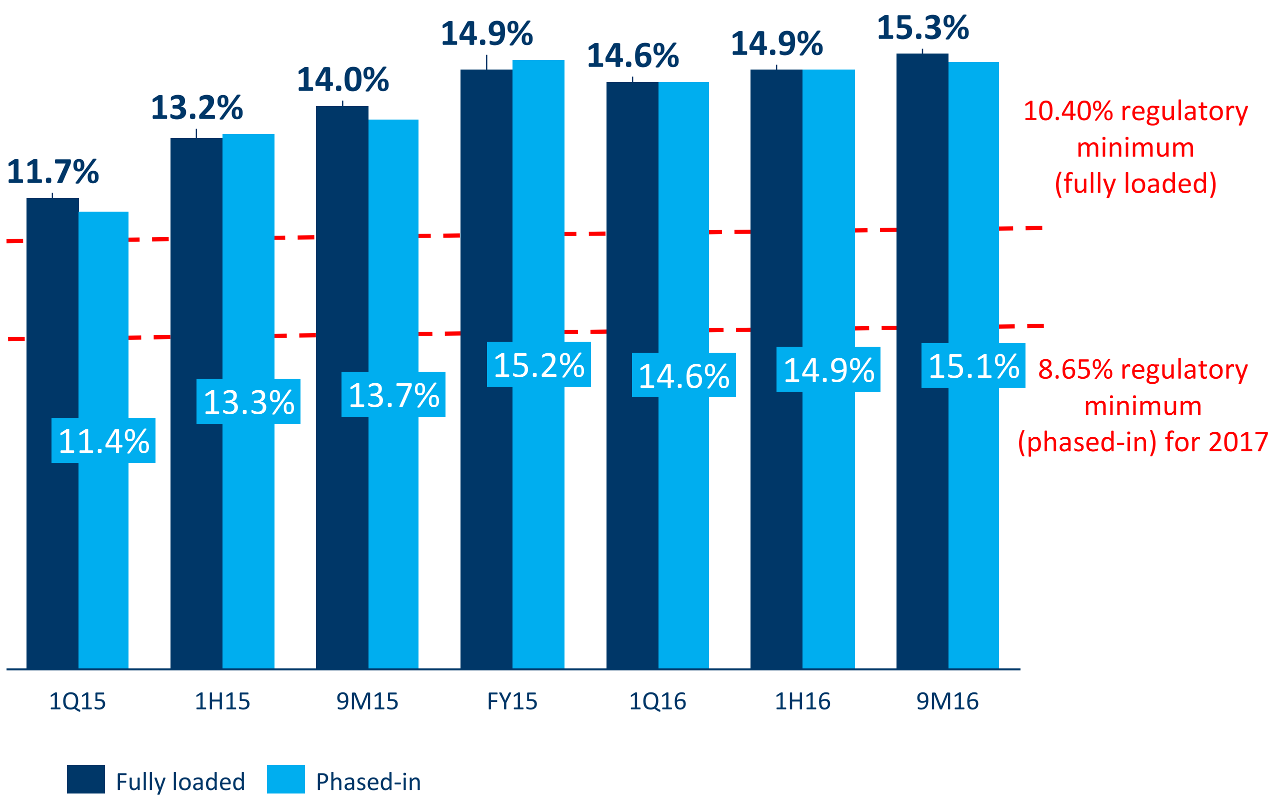
The **Czech and Slovak competent authorities decided to introduce a countercyclical buffer requirement** of 0.5% in 1Q2017 and 3Q2017 respectively, corresponding to an additional 0.15% CET1 requirement at KBC Group level (0.10% + 0.05% respectively)

3

Under the new framework on Maximum Distributable Amounts (MDA), the **restriction to pay coupons on AT1 instruments falls from 10.25% in 2016 to 8.65% in 2017**. *(assuming that the T1 and T2 minimum capital bucket continue to be adequately filled with externally placed instruments)*

Strong capital position

CET1 RATIO AT KBC GROUP BASED ON THE DANISH COMPROMISE



- **Common equity ratio (phased-in) of 15.1%** based on the Danish Compromise at end 9M16, which **clearly exceeds** the minimum **capital requirements of 8.65% based on the 2016 Joint Capital Decision** (JCD)
- A **pro forma fully loaded minimum common equity ratio translation to 10.40%** based on the 2016 Joint Capital Decision (JCD) **was clearly exceeded** with a fully loaded common equity ratio of 15.3% based on the Danish Compromise at end 9M16
- **Including the 1% Pillar 2 Guidance** the **implied fully loaded minimum CET1 requirement stands at 11.40%** (9.65% phased-in for 2017), which is **also amply exceeded** by the actual CET1 ratio at end 9M16

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Joint Capital decision (JCD)		JCD 2015	JCD 2016	projection	
Target applicable in		**2016 phased**	**2017 phased**	**2018 phased**	**2019 fully loaded**
Pillar 1 minimum requirement (P1 min)	CET1	4,5%	4,5%	4,5%	4,5%
	AT1	-	1,5%	1,5%	1,5%
	T2	-	2,0%	2,0%	2,0%
Pillar 2 requirement (P2R)	CET1	phased: 4,625% full: 2,75%	1,75%	1,75%	1,75%
Conservation buffer	CET1	phased: 0,625% full: 2,5%	-	-	-
Total SREP Capital Requirement (TSCR)	CET1	**9,75%**	6,25%	6,25%	6,25%
	T1	-	7,75%	7,75%	7,75%
	Total capital	-	**9,75%**	9,75%	9,75%
Combined Buffer Requirement (CBR)					
Conservation buffer	CET1	-	1,25%	1,875%	2,50%
O-SII buffer	CET1	0,50%	1,00%	1,50%	1,50%
Countercyclical buffer	CET1	0,00%	0,15%	0,15%	0,15%
Overal capital requirement (OCR) = MDA threshold	CET1	10,25%	8,65%	9,775%	**10,40%**
	T1	-	10,15%	11,275%	11,90%
	Total capital	-	12,15%	13,275%	13,90%
Early warning threshold	CET1	0,25%	-	-	-
Pillar 2 Guidance (P2G)	CET1	-	1,00%	1,00%	1,00%
CET1 requirement + P2G	CET1	10,50%	9,65%	10,775%	**11,40%**