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KBC becomes first Belgian financial institution to issue green bonds

500 million euro 'green bond' issue bolsters KBC's offering of 'sustainability' products

KBC already put [procedures](#) in place for issues of what are known as 'green bonds'. Within this framework, KBC Group today launched an initial issue with a term of five years and a value of 500 million euros at a margin of 72 basis points above benchmark rate. KBC is the first Belgian financial institution to bring its own green bond into the market. This particular issue is restricted just to institutional and professional investors. There was considerable interest in the issue, which was more than 3 times oversubscribed and placed with 131 different investors.

KBC group CEO, Johan Thijs, tells us, 'This sustainable bond issue aligns seamlessly with our sustainability approach and allows us to better orient our funding policy in harmony with it. Our earnings from this first green bond will go to funding loans needed for sustainable investments. The structure that has been put in place for the issue will continue to serve as we bring further green bonds to market on into the future, which will increase the influence we're able to exert in terms of our sustainable society. In fact, we've already booked excellent progress, such as assisting corporate clients when they launch green bond issues or, with input from Tractebel and its comprehensive energy audits, now being able to offer such companies a refined, more appropriate form of finance. All of which allows them, in turn, to contribute more actively to a greener, better society.'

Financial markets turning more green

The green bond market has seen robust growth over the past few years. Professional investors are increasingly focusing on sustainable investment, impelled by the ambitious greenhouse gas reduction targets that many countries have signed up to. KBC believes that active contribution to the sustainability of the financial markets can create leverage for its customers, shareholders and employees and for other stakeholders in the transition to a low-carbon economy. And it's with that ultimate aim at the forefront that KBC has developed its framework for green bond issues, one that it's hoped will see a long and certain future for green bonds as we move forward.

A 'green' bond is one that complies with the Green Bond Principles, which are a set of guidelines produced by the International Capital Markets Association (['ICMA'](#)) in terms of which issue proceeds can only be applied to financing and refinancing sustainable projects. The issuer must accord full transparency as to the requirements for such projects and the manner in which they are selected.

Certified issue

The bond is certified under the Climate Bonds Initiative's strict and internationally recognised sustainability criteria. In addition, KBC's green bond procedures have been reviewed and passed as Green Bond Principles-compliant by Sustainalytics, one of the biggest players in the field of sustainability analysis. KBC is furthermore committed to adapting its procedures in line with all and any future European green bond standards, statutory requirements and guidance.

Within KBC's green bond procedures are defined seven investment categories: renewable energy, energy efficiency, ecologically friendly transport, eco-efficient real estate, the prevention and management of pollution, water management and sustainable use of arable and wooded land. The uses to which the pot constituted from this first KBC green bond can be used include home loans for sustainable housing and finance for renewable energy projects. Together, the two forms of finance represent green assets totalling 1.3 billion euros, available (as ringfenced) to both KBC's retail and its corporate customers. Future issues will further grow KBC's underlying green asset base. A special KBC Green Bond Committee has been set up to carry out quarterly reviews of our green bond portfolio and see to it that green bond proceeds are applied to financing the appropriate underlying projects. It's a fundamental check and balance, to satisfy ourselves and the public at large that adherence to the Green Bond Principles is always a given, now and in the future.

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