Press Release

Outside trading hours – Regulated information*

Brussels, 8 July (8 a.m. CET)

KBC Group clarifies potential impact of new Hungarian legislation

KBC Group wishes to inform the market and its stakeholders that new legislation approved on 4 July by the Hungarian parliament and applying to the entire Hungarian banking sector, will influence its results for the second quarter of 2014.

The act on the 'Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions' will become effective eight days after being signed by the Head of State and published.

The scope of the act includes retail loans in both foreign currency and Hungarian forints. According to the act, the use of foreign-exchange-rate margins in consumer loans denominated in foreign currency is void and, therefore, bid-ask spreads applied to those foreign currency loans need to be retroactively corrected. Furthermore, as regards all consumer loans, the act repeals unilateral changes to interest rates and fees applied by the banks. The concrete way of financial settlement with clients is going to be handled in a separate act ('act on settlement issues') later this year.

The act will result in increased provisioning for KBC's Hungarian retail loan book. KBC will set aside (under 'other income') additional one-off net provisions of around 162 million euros (pre-tax) in the second quarter of 2014 for both the correction to the bid-offer spreads and the unilateral changes to interest rates. As the Supervisory Authority has not yet opined on the methodology to be used for calculating amounts paid in excess by clients and the interest payable by the bank on those amounts, there could be an additional impact of around 70 million euros (pre-tax) if the methodology, to be advised and recommended by the Hungarian Banking Association, and followed by K&H Bank, is not accepted.

Any potential additional costs related to the complete phase-out of retail foreign currency loans announced by government officials for the second half of 2014 are not included in the above estimate.

Even after constituting these provisions, K&H Bank's capital position remains adequate and in line with the capital requirements set by the Hungarian National Bank. The bank's liquidity, expressed in its loan-to-deposit ratio, is the best among the leading banks in Hungary. K&H remains highly committed to its Hungarian clients and does not intend to change its business policy. Hungary is one of KBC Group's core markets and KBC remains committed to supporting the Hungarian economy and Hungarian society in the long term.

K&H´s shareholder, Belgium's KBC Group NV, is one of the best capitalised financial institutions in Europe, with strong profitability.

KBC will provide a full business update when its second quarter results are published on 7 August 2014.

Note for the editors

K&H Bank, KBC's Hungarian banking subsidiary, has 3.3 billion euros in assets under management, a loan portfolio of 3.9 billion euros (8% market share) and deposits of 5.4 billion euros (9% market share). The bank operates a network of 220 bank branches catering for 1.6 million clients. (www.kh.hu)

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

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