



Press Release

Outside trading hours - Regulated information*

Brussels, 29 July 2016 (10.10 p.m. CEST)

KBC remains adequately capitalised under 2016 EU-wide EBA stress test.

KBC notes the announcements made today by the European Banking Authority (EBA) regarding the results of the 2016 EU-wide stress test. A brief [slide set](#) on the KBC data is available at www.kbc.com.

The impact of the stress test on KBC's fully loaded Common Equity Tier-1 ratio (CET1 ratio: 14.9% at year-end 2015) increased this ratio by 1.3 percentage points to 16.2% under the baseline scenario (+1.0 percentage points on a transitional basis). Under the adverse scenario, KBC's fully loaded CET1 ratio would fall by 3.6 percentage points to 11.3% (-3.9 percentage points on a transitional basis, likewise falling to 11.3%). KBC's leverage ratio, which stood at 6.32% at the end of 2015, would increase to 7.4% under the baseline scenario and only decrease to 5.7% under the adverse scenario.

Johan Thijs, KBC Group CEO had this to say on today's announcements: 'KBC acknowledges the outcome of the EBA's theoretical exercise, which provides us with additional insights into KBC's capital requirements under different economic hypotheses. The outcome of the exercise also provides a reassuring signal to all stakeholders placing their trust in us that our institution is well capitalised. KBC will continue to ensure that appropriate levels of capital are maintained. The result is also illustrative of KBC's strong fundamentals in the form of a healthy client-driven bank-insurance business model, a robust liquidity position supported by a very solid and loyal client deposit base in our core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria, as well as in Ireland, and a comfortable level of solvency that enables us to continue increasing our lending to clients and to actively support the communities and economies we are active in.'

KBC was subject to the 2016 EU-wide stress test conducted by the European Banking Authority (EBA) in cooperation with the National Bank of Belgium (NBB), the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB).

KBC notes the announcements made today by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise. The 2016 EU-wide stress test does not contain a pass-fail threshold, but is designed instead to be used as a crucial piece of information for the supervisory review process in 2016. The results will thus allow competent authorities to assess KBC's ability to meet applicable minimum and additional own funds requirements under stressed scenarios based on a common methodology and assumptions.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2016-2018). The stress test was carried out applying a static balance sheet assumption as at December 2015, and therefore does not take into account future business strategies and management actions. It is not a forecast of KBC's profits.

Background

The 2016 EU-wide stress test is a constrained bottom-up exercise that provides banks with a common methodology and templates to project in a consistent way the impact of common scenarios, allowing stakeholders to homogeneously compare and assess the resilience of EU banks and the EU banking system to shocks. The exercise is conducted under a static balance sheet assumption. No hurdle rates or capital thresholds are defined for the purpose of the 2016 exercise.

The exercise entails analysing how a bank's capital position develops assuming a static balance sheet over a period of three years until 2018, under both a baseline and an adverse scenario. The adverse scenario reflects the four systemic risks that were considered by the ESRB to constitute the most material threats to the stability of the EU banking sector: (i) an abrupt rise in currently low global bond yields, amplified by low secondary market liquidity; (ii) weak profitability prospects for banks in a low nominal growth environment amid incomplete balance sheet adjustments; (iii) rising debt sustainability concerns in the public and non-financial private sectors amid low nominal growth; (iv) prospective stress in a rapidly growing shadow banking sector, amplified by spillover and liquidity risk.

An extensive [Q&A](#), plus [details](#) of the methodology and the baseline and adverse scenarios, are available on the ECB's and EBA's websites.

This information is provided for comparison purposes only and should not in any way be directly compared to KBC's other published information.

For more information, please contact:

Wim Allegaert, General Manager, Investor Relations, KBC Group
Tel.: +32 2 429 50 51 - E-mail: wim.allegaert@kbc.be

Viviane Huybrecht, General Manager, Corporate Communication/Spokesperson, KBC Group
Tel.: +32 2 429 85 45 - E-mail: pressofficekbc@kbc.be

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KBC Group NV

Havenlaan 2 – 1080 Brussels
Viviane Huybrecht
General Manager
Corporate Communication /Spokesperson
Tel.: +32 2 429 85 45

Press Office
Tel. +32 2 429 65 01 Stef Leunens
Tel. +32 2 429 29 15 Ilse De Muyer
Fax +32 2 429 81 60
E-mail: pressofficekbc@kbc.be

KBC press releases are available at www.kbc.com
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