



# Press Release

Outside trading hours - Regulated information\*

Brussels, 2 November 2018 (6.15 p.m. CET)

## **KBC remains adequately capitalised under 2018 EU-wide EBA stress test.**

KBC notes the announcements made today by the European Banking Authority (EBA) regarding the results of the 2018 EU-wide stress test. A brief [slide set](#) on the KBC data is available at [www.kbc.com](http://www.kbc.com).

The impact of the stress test on KBC's fully loaded Common Equity Tier-1 ratio (IFRS9 restated CET1 ratio: 15.96% at year-end 2017) increases this ratio by 2.60 percentage points to 18.56% under the baseline scenario. Under the adverse scenario, KBC's fully loaded CET1 ratio would fall by 2.36 percentage points to 13.60%. KBC's IFRS9 restated leverage ratio, which stood at 6.01% at the end of 2017, would increase to 6.88% under the baseline scenario and only decrease to 5.75% under the adverse scenario.

*Johan Thijs, KBC Group CEO* commented today's announcements: 'The results of this regular theoretical exercise of the EBA give us additional insights on the capital requirements that KBC must be able to meet in various possible economic scenarios. Our consistent results reassure our stakeholders that our company is and remains well capitalised. The results also show that we have strong foundations: a healthy client-oriented bancassurance model, a solid liquidity position, supported by a very solid and loyal customer deposit base in our core markets Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland, and comfortable solvency. This enables us to actively support the communities and economic environment in which we operate.'

KBC was subject to the 2018 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) 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 2018 EU-wide stress test does not contain a pass-fail threshold, but is designed instead to be used as an important source of information for the purpose of the supervisory review process (SREP). The results will assist competent authorities in assessing KBC's ability to meet applicable prudential requirements under stressed scenarios.

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2018-2020). The stress test was carried out applying a static balance sheet assumption as at December 2017, and therefore does not take into account future business strategies and management actions. It is not a forecast of KBC's profits.

## Background

The 2018 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 2018 exercise.

The exercise entails analysing how a bank's capital position develops assuming a static balance sheet over a period of three years until 2020, 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) abrupt and sizeable repricing of risk premia in global financial markets – triggered e.g. by a policy expectation shock – leading to a tightening of financial conditions; (ii) adverse feedback loop between weak bank profitability and low nominal growth, amid structural challenges in the EU banking sector; (iii) public and private debt sustainability concerns amid a potential repricing of risk premia and increased political fragmentation; (iv) liquidity risks in the non-bank financial sector with potential spillovers to the broader financial system.

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

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

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

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