



Joint press release

Regulated information *

The Hinduja Group acquires KBC group's private banking subsidiary KBL *epb*

KBL *epb* to grow in India, Middle-East and Asia KBC increases its core tier-1 ratio by 1%

Brussels, London, 21 May 2010

KBC group ("KBC") has reached an agreement with the Hinduja Group ("Hindujas" or "the Group") for the sale of its dedicated private banking subsidiary KBL European Private Bankers ("KBL *epb*") for a total consideration of EUR 1.350 billion.

- The Hinduja Group is a diversified international business that has been in the banking business since 1914 and is present in the sector through Hinduja Bank Switzerland and IndusInd Bank in India. As well as providing a stable home, continuity and careful stewardship for KBL, the Group will also give the bank greater access to the fast-growing Middle-East, Indian and Asian markets. The Hinduja Group intends to grow KBL *epb* internationally by using the Group's business interests in more than 100 countries.
- KBL *epb* is one of Europe's largest onshore private banking groups with affiliated local banks in 55 locations across ten European countries: Belgium, France, Germany, Luxembourg, Monaco, the Netherlands, Poland, Spain, Switzerland and the United Kingdom.
- At the end of 2009, KBL *epb* had assets under management of EUR 47 billion, assets under custody of EUR 37 billion and, through a 52.7% stake in EFA, assets under administration of EUR 103 billion.
- The transaction comprises the sale of KBC's entire interest in KBL *epb* and includes all the private banking subsidiaries as well as the custody and life insurance businesses.
- The KBL *epb* brand, management team and operations will be maintained in their entirety and KBL *epb* will continue to be headquartered in Luxembourg.
- The closing of the transaction is subject to customary regulatory approvals and is expected to be completed in the third quarter of 2010.
- As of 31 March 2010, the pro forma release on core capital of the transaction for KBC is approximately a positive EUR 1.3 billion, resulting in a 1% increase in KBC's core tier-1 ratio and a very strong pro forma core tier-1 ratio of 10.4%.
- KBC will continue to offer private banking services in Belgium and Central and Eastern Europe through its KBC-branded private banking businesses.

Jan Vanhevel, KBC Group CEO: *“The transaction today is an important first step in implementing our updated strategy. With this divestment, we are releasing a significant amount of capital and further strengthening the KBC group, with its focus on its core bancassurance expertise and markets (Belgium, Central and Eastern Europe), and with its reduced risk-profile.*

This important transaction enables the group to report a very strong pro forma core tier-1 ratio of 10.4 % as of 31 March 2010. On a personal note, it is with regret that we say goodbye to our KBL epb colleagues, with whom we have worked together successfully for many years. We are convinced that the Hinduja Group will allow KBL epb to grow its business, secure the future of its staff and continue offering superior customer service.”

Srichand P. Hinduja, Chairman of the Hinduja Group: *“We are very pleased to welcome KBL epb into our business, which has a long and successful history in the banking sector. We intend to ensure that KBL epb clients continue to receive exemplary service from a highly-motivated staff working in a new and secure environment.*

We look forward to working with the existing management team of KBL epb who we believe have done an excellent job to date. We plan to invest further in the business, maintaining each of the subsidiaries, while also providing KBL epb with access to the fast growing markets of the Middle East, the Indian subcontinent and Asia. In this way, we hope to address the private banking needs of clients internationally and facilitate capital flows between fast growing economies and established Western financial markets.”

Etienne Verwilghen, KBL epb CEO: *“We see this acquisition as wholly positive and reassuring for the clients. The Hinduja Group fully supports our client-focused model and strategy with a long-term perspective. We look forward to working closely with them in taking the bank to new markets. We are convinced that all KBL epb’s private banking clients, staff and the Luxembourg financial centre will benefit significantly from the highly committed support of the new owner.”*

Impact on KBC

On 18 November 2009, KBC announced its updated strategy of focusing on its core bancassurance expertise in its home markets (in Belgium, Czech Republic, Slovakia, Hungary, Poland and Bulgaria) and further reducing the risk profile of the group.

As part of this updated strategy, the group announced its intention to deconsolidate the activities of the European Private Banking Business Unit, which operated with commercial autonomy and benefited from lower-than-average synergies with the bancassurance activities of the group. The announcement today represents the implementation of a major element of the strategic plan presented in November 2009.

In 2009, the underlying after tax profit contribution of the KBL epb to the KBC group was EUR 140 million. As of 31 December 2009, it represented around EUR 5.5 billion of risk-weighted assets.

The capital impact for KBC is an immediate EUR 1.3 billion release on core capital, resulting in a strong core tier-1 ratio of 10.4% as of 31 March 2010.

The transaction which will release EUR 1.3 billion of capital (net impact on capital including the release of Risk Weighted Assets, goodwill and an impairment of EUR 0.3 billion which will be booked in the second quarter results) is fully in line with the announcement made on 18 November 2009 of a target capital relief of EUR 0.8 billion to EUR 1.5 billion.

KBC will continue to offer private banking services in Belgium and Central and Eastern Europe through its KBC-branded private banking businesses.

About the Hinduja Group

The Hinduja Group is a diversified international group founded in 1914 and employing over 50,000 people. It is headquartered in Europe and has offices in many of the largest cities in the world and all major cities in India. The Group has a 30-year history of long-term investments in 10 key sectors covering automotive, energy, hydrocarbon chemicals, information technology, media, and entertainment, infrastructure and project development, real estate, healthcare, trading and banking and finance..

In the banking sector, the Hinduja Group owns Hinduja Bank Switzerland, a private bank active across Europe, the Middle East and India in wealth management, private banking, trade finance and corporate advisory services. It was founded in Switzerland in 1978 and has held a Swiss banking license since 1994. It is headquartered in Geneva with operations in Switzerland, Dubai, the UK, France, the US, Mauritius and India.

The Hinduja Group is the promoter of IndusInd Bank, conceived by SP Hinduja, the Chairman. IndusInd Bank is one of the new generation private-sector banks in India, which commenced its operations in 1994. The bank has 2 million customers and a network of 1.225 outlets across India with a balance sheet of US D 8 billion.

About KBL *epb*

KBL *epb* operates a unique private banking business model focused on local client service supported by centralised operations. This model has resulted in the global-hub concept based in Luxembourg with control functions such as audit, compliance and risk management.

KBL operates some of the strongest brands in leading European markets:

- Theodoor Gilissen Bankiers in the Netherlands
- Merck Finck & Co in Germany
- Puilaetco Dewaay in Belgium
- Brown Shipley & Co in the United Kingdom
- KBL *epb* Luxembourg
- Puilaetco Dewaay Luxembourg
- KBL *epb* Richelieu Banque Privée in France
- KBL *epb* Switzerland
- KBL *epb* Monaco
- KBL *epb* has also started operations in Spain and Poland.
- Luxembourg-based life insurance subsidiary VITIS Life.

At the end of 2009, KBL *epb* had assets under management totalling EUR 47 billion. The group employed 2,661 staff, 466 of whom are private bankers.

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