

Joint Press Release

Outside trading hours - Regulated information*

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ČSOB to become the sole owner of Czech building savings bank ČMSS after acquiring the 45% stake held by Bausparkasse Schwäbisch Hall

This morning, ČSOB, the Czech division of KBC Group, and Germany's Bausparkasse Schwäbisch Hall (BSH) reached agreement for ČSOB to acquire BSH's 45% stake in the Czech building savings bank Českomoravská stavební spořitelna (ČMSS) for a total consideration of 240 million euros, representing a 1.54 multiple of the 2018 standalone net book value and a 9.20 implied multiple of 2018 net profit including discounted 2024 synergies. Parties have agreed that dividends from 2018 and 2019 profits fully accrue to ČSOB.

The transaction will have an impact of approximately - 0.30 percentage points on the KBC Group's strong CET1 ratio - which stood at 16% (fully loaded, Danish compromise) at the end of 2018 and as a result, it will lower KBC Group's 2% M&A buffer to 1.70%. Furthermore, the revaluation of KBC's 55% stake in ČMSS (in conformity with IFRS 3) will lead to a one-off gain for KBC on the date of the closing of the transaction, estimated at approximately 80 million EUR.

As a result of this transaction, ČSOB will hold 100% of and becomes the only shareholder of ČMSS and consolidates its position as the largest provider of financial solutions for housing purposes in the Czech Republic. The agreement is still subject to anti-trust approvals and is expected to close before the end of the second quarter of 2019.

Johan Thijs, KBC Group CEO welcomed the transaction as follows: *"I am very pleased with this transaction, which confirms our position as a strong market leader in the Czech Republic. Leveraging our market experience and our product and service offering together with ČMSS to accommodate our clients' housing needs will help us to become the reference on the Czech housing market. This acquisition marks our ambition to grow in our core markets and forms an excellent business opportunity in terms of strengthening our Czech retail franchise. At the same time, it is fully in line with our strategy to focus on our strong fundamentals: a healthy client-driven bank-insurance business model, a strong risk profile, a robust liquidity position supported by a very solid and loyal client deposit base in our core markets, and a comfortable solvency position that enables us to continue to increase lending to our clients and actively support the communities and economies in which we operate."*

Petr Hutla, Senior Executive Officer Credits Management, responsible among other things for ČMSS, Member of the Board of Directors added: *"The ČSOB Group is the largest provider of housing loans in the Czech Republic. The 100% stake in ČMSS will further strengthen our position. Our clients and employees will especially benefit from this step. Closer cooperation within the Group creates an opportunity to provide clients products and solutions that are more suited to their requirements, wishes and demands. As a result, the ČSOB Group will have a very good network of sales representatives within multi-channel customer service which will be managed in the existing successful*

manner to strengthen the position of the market leader. For employees this means an opportunity to share the expertise and background of a stable and popular employer.”

Schwäbisch Hall-CEO Reinhard Klein said: *“In the past 25 years, together with ČSOB, we have built a successful home savings bank in the Czech Republic. We are very proud of our joint result. ČSOB’s initiative to acquire our complete stake in CMSS received our full support because it ensures CMSS is able to strengthen its market leader position. We are very pleased that, by this step, a great Belgian financial group like KBC confesses to the German model of home savings and loans.”*

Tomáš Kořínek, Chairman of the Board of Directors of ČMSS concluded : *“ For more than 25 years, the Fox has been a symbol of savings and housing financing in the Czech Republic. Closer cooperation with ČSOB will allow us to expand further and modernise our services. We will be better able to respond to the needs of clients and fulfil their dreams of owning their own home, even at a time of poorer accessibility”.*

Note for the editor

Českomoravská stavební spořitelna (ČMSS), also known in Czech Republic as “the Fox” because of its mascot, is the biggest building savings bank in the Czech Republic with - at the end of 2018 – 4.5 bn EUR (117 bn CZK) in outstanding loan volume and 5.3 bn EUR (137 bn CZK) in deposits, representing a market share of 42% in building savings loans and 40% in building savings deposits.

It was founded in 1993 as a joint venture between ČSOB and Bausparkasse Schwäbisch Hall, and has concluded more than 7.8 million deposit agreements since. ČMSS currently has around 1.3 million clients, some 1 800 tied agents and approximately 300 advisory points.

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

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