Press Release –before trading hours - Regulated information*

Brussels, 15 March 2011

Sale of KBL *epb* to Hinduja Group will not go through

KBC to examine various options for KBL *epb* in the weeks ahead

On 21 May 2010, the KBC group announced that it had reached an agreement with the Hinduja Group for the sale of its private banking subsidiary, KBL European Private Bankers (KBL epb). As is customary, the Hinduja Group had submitted the deal in recent months for approval to the Luxembourg regulator (the CSSF) and the regulators in the nine other European countries where KBL epb operates. Needless to say, KBC was not itself party to that approval process.
The CSSF yesterday confirmed that it was stopping its evaluation of the acquisition, after concluding that its decision would have been to object to it. The CSSF reached this decision based on application of the criteria set out in the law governing the financial sector and after consulting with the other competent authorities.
In practice, this means that the sale of KBL epb to the Hinduja Group will not go ahead.

KBC takes note of this decision. Over the coming weeks, and in relation to implementing its strategic plan, the group will thoroughly assess the various options so that, given current market conditions, it can take the best decision regarding the future of KBL epb.

Jan Vanhevel, KBC Group CEO: 'The Hinduja Group was selected last year based on various criteria such as the price it offered, its industrial project and future plans for KBL epb, the continued focus on private banking it was able to guarantee both the clients and staff of KBL epb. To our surprise and regret, the Hinduja group was unable to obtain approval for this deal from the regulators in the ten European countries in which KBL epb is active. Although, naturally, we were and are unable to do anything about the situation, there is no denying that this is disappointing for us. However, it does not jeopardise implementation of our strategic plan, because the European Commission has given us enough flexibility to enable us to carry out our divestments under the best possible conditions. We will, therefore, thoroughly assess the various options for KBL epb over the coming weeks so that, given the current market conditions, we can take the best decision regarding the future of KBL epb, and thus provide security for its staff and clients. It is also most comforting to know that KBL epb is in good hands. Despite the challenging market conditions, KBL epb's management – under the leadership of CEO Jacques Peters – has continued rolling out its efficiency improvement programme in various countries, strengthened its balance sheet and reduced its cost base, and hence enhanced the overall quality of the assets. All of which has prepared KBL epb for the challenges ahead.'

Jacques Peters, CEO of KBL epb: *'Of course we are disappointed that it had to end this way. However, we are very pleased to note that, over the past months, our clients and staff have continued to believe and have confidence in our customer-focused model and forward-looking strategy. Moreover, we have succeeded in attracting many new clients and private bankers in the various countries where we are present. Despite the persistently difficult market conditions in 2010, our assets under management have increased, fee and commission income has risen further and expenses have fallen. Consequently, KBL* *epb remains in an excellent position to respond to the expanding market for private banking. Going forward, our clients can continue to rely on a top-quality service from a highly motivated and professional staff. We are, therefore, confident that, together with the KBC group, we will take the right decision to safeguard our future."*

Contacts

Wim Allegaert, General Manager, Investor Relations, KBC
Tel +32 2 429 40 51 wim.allegaert@kbc.be
Viviane Huybrecht, General Manager, Group Communication & Spokesperson for KBC Group NV
Tel +32 2 429 85 45 pressofficekbc@kbc.be

Note for the editor:

At the end of 2009, KBC refocused its strategy and now concentrates on its core activity as a bancassurer in its home markets in Belgium, the Czech Republic, Slovakia, Hungary, Poland and Bulgaria, as well as on reducing its risk profile.
As part of this exercise, the group decided to divest certain activities, including those of its European Private Banking Business Unit, which operated with commercial autonomy and had lower-than-average synergies with the group's bancassurance activities.

KBL *epb* boasts 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 UK
KBL *epb* Luxembourg
Puilaetco Dewaay Luxembourg
KBL *epb* Richelieu Banque Privée in France
KBL *epb* Switzerland
KBL *epb* Monaco
KBL *epb* has also started activities in Spain and Poland
The life insurance subsidiary, VITIS Life, in Luxembourg

At year-end 2010, KBL *epb* had total assets under management of 47 billion euros.
The group employed 2 522 people, 418 of whom are private bankers.

KBC also offers private banking services in Belgium and Central and Eastern Europe under the KBC brand name. In Flanders and Brussels, KBC has more than 19 private banking branches, and KBC's subsidiary, CBC, caters for its private banking clientele through 7 private banking branches in Brussels and Wallonia.

KBC Group NV
Havenlaan 2 – 1080 Brussel
Viviane Huybrecht:
General Manager Group
Communication /Spokesperson
Tel. 02 429 85 45

Press Office
Tel. 02 429 65 01
Fax 02 429 81 60
E-mail:pressofficekbc@kbc.be

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