Press release

Outside trading hours – Regulated information*

Brussels, 18 December 2014 (5.45 p.m. CET)

KBC further optimises capital structure

After obtaining the approval of the National Bank of Belgium, the supervisory boards of KBC Group NV and KBC Insurance NV decided on 18 December 2014 to further optimise the capital structure of both companies. The decisions taken will now be submitted for approval to the (Extraordinary) General Meeting of Shareholders of KBC Insurance NV.

As a result of the proposed transactions:

- **the solvency/CET1 of KBC Group NV will improve by 0.49%**
- **the solvency of KBC Insurance NV will remain very solid at 282% under Solvency I (and its return on equity will increase).**

The transactions involve:

- a buyback by KBC Insurance NV from KBC Group NV of KBC Insurance shares in the amount of 203 million euros before year-end, leading to an improvement of 0.20% in CET1 (KBC Group);
- a replacement of shareholder capital by an intra-group Tier-2 loan in the amount of 500 million euros to be subscribed by KBC Group NV in the first quarter of 2015, leading to an improvement of 0.29% in CET1 (KBC Group).

Johan Thijs, KBC Group NV CEO, commented as follows: '*A solid and efficient capital structure allows us to grow in a healthy way and to create value for all shareholders and stakeholders in the long term. The transactions we are announcing today will help us to further optimise our already solid capital structure and to strike a better balance between risk and performance.*
With a current Solvency I ratio which exceeds 300%, KBC Insurance ranks above the average in the European insurance market. Moreover, KBC Insurance is not currently using any hybrid capital instruments and as a result is an exception in the market. Replacing shareholder capital by less expensive Tier-2 debt instruments for up to 20 to 25% of the available capital is a common market practice, also applied by many of our peers in Europe. It is clear that there is room for optimisation at KBC Insurance.
The proposed transactions will have a positive impact on our insurance ROE (of approximately five percentage points) and will add value without substantially affecting solvency levels. Even after its capital decrease, KBC Insurance's solvency levels will remain very high at 282% (September 2014) under Solvency I. At the same time, KBC Group's CET1 ratio, which was 13.71% at the end of September, will pro forma improve to 14.20% (end of September).'

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* This press release contains information provided in compliance with European transparency legislation for listed companies.

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