



Statement - update

Brussels, 18 February 2016 (*update from statement of 23 February 2015*)

KBC provides transparency regarding tax rulings

Over the years and on several occasions, KBC Bank NV and KBC Group NV have requested the tax authorities in a number of countries to provide clarity on the tax treatment of some product-related or accountancy-based issues. The guidance or approval received from the tax authorities (in rulings) allows KBC to correctly apply the tax rules and provide its financial reporting properly and transparently. In fact, a ruling also ensures a level playing field for all market participants.

With the aim of being as transparent as possible, KBC has provided below an overview of the tax rulings it has so far concluded with various tax authorities (in different countries).

1. KBC Tax Rulings in Belgium: to provide clarification on interpretation of tax rules

In 2012, **KBC Asset Management** obtained a number of tax rulings providing clarity and certainty on the tax qualification of investment products it issued.

KBC Bank and **KBC Group** have also received several tax rulings.

During the financial crisis, KBC Bank was obliged to grant a debt waiver to KBC Investments Ltd. In a decision taken in April 2010, the Ruling Commission agreed to this debt waiver being deducted from taxes.

KBC Bank and KBC Group also received several tax rulings on the tax treatment of hybrid financial instruments they issued (qualifying as equity for regulatory purposes):

- In a ruling in April 2009, KBC Group received confirmation that the payments on the yield enhanced securities (YES) subscribed by the Flemish Regional Government should be considered for tax purposes as dividend payment.
- In a ruling in January 2013, KBC Bank received confirmation that the interest payments on its contingent capital securities (CoCo) were tax deductible.
- In a ruling in March 2014, the Ruling Commission confirmed that the payments on the Additional Tier-1 notes issued by KBC Group and the payments on the mirroring Additional Tier-1 loan between KBC Group and KBC Bank, should be treated as tax deductible interest. In response to media coverage on this ruling, KBC published a statement on its website (www.kbc.com) on 27 March 2014 clarifying the nature of this ruling request. In its application, KBC asked for similar tax treatment to that decided on by the local tax authorities in many other European countries following publication of the stricter requirements for Basel III instruments. This treatment has already been formally approved by the local authorities in the UK, France and Spain for the financial institutions established in those countries. Based on those local rules, other European banks have already issued Additional Tier-1 instruments. All KBC has done in Belgium is request similar treatment to avoid a competitive disadvantage relative to foreign players operating in Belgium.
- In October 2015, KBC Bank NV obtained a ruling confirming tax treatment of the liquidation loss it suffered upon closing its US subsidiary KBC Financial Holding Inc.

2. KBC Tax Rulings in Luxembourg

In 2006, KBC Asset Management SA obtained a ruling allowing for tax goodwill related to the financial and fund management expertise that was available in the entity. The goodwill amount is regularly recalculated based on current market conditions and market valuation in the Luxembourg fund management market. This ruling expires in 2016.

3. KBC Tax Rulings in the UK

In November 2010, KBC Investments Ltd entered into an agreement with the UK tax authorities (HMRC) on the debt waiver granted by KBC Bank NV in April 2010 (see item 1 above 'KBC tax rulings in Belgium')

4. KBC Tax Rulings in Hungary

In Hungary, a number of rulings were concluded in order to agree on the tax treatment of corporate restructurings, especially mergers.

Besides these rulings, K&H also received two rulings that relate to VAT.

5. Other countries

There are no rulings with the Czech, Slovak, US or Irish tax authorities. Bulgarian tax legislation does not contain a rulings procedure.

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