



Press Release

Outside trading hours - Regulated information*

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KBC Group acquires United Bulgarian Bank and Interlease, becoming the largest bank-insurance group in Bulgaria

Brussels, Sofia: Belgian based KBC Group (KBC) and the National Bank of Greece (NBG), the Greek parent company of United Bulgarian Bank (UBB), today reached agreement for KBC to acquire ownership of:

- UBB (99.9%), the fourth-largest bank in Bulgaria in terms of assets with a 8% market share as at the end of September 2016 (11% market share in retail, 8% market share in corporate) and;
- Interlease (100%), the third-largest provider of leasing services in Bulgaria with a 13% market share,

for a total consideration of 610 million euros. KBC will use internal sources/available funds to pay the acquisition price in cash.

Before closing of the transaction UBB intends to make a 183-million-euro extraordinary dividend payment to NBG subject to authorisation from the Bulgarian National Bank. The purchase price reflects the 183-million-euro extraordinary dividend and represents a 1.10x multiple of the 2016 expected Tangible Book Value of UBB and Interlease and a 1.29x implied multiple of the 2016 expected Tangible Book Value adjusted for negative net asset value adjustments amounting to 81 million euros which KBC identified during the due diligence process.

The acquisition will have a very limited impact on KBC's solid capital position (-54 basis points), keeping the CET1 ratio (3Q16: 15.3%) well above regulatory minimum capital requirements.

KBC has been present in the Bulgarian banking sector since 2007 through its subsidiary CIBANK. The combination of UBB and CIBANK will result in the creation of the third-largest banking group in Bulgaria in terms of assets, with a market share of approximately 11%. Potential synergies (in terms of both revenue and costs) are estimated at approximately 20 million euros (pre-tax 2023).

KBC has also been present in the Bulgarian insurance sector through its subsidiary DZI Insurance, active in both life and non-life insurance.

Together, UBB-CIBANK and DZI will become the largest bank-insurance group in Bulgaria, one of KBC's core markets, boasting strong macroeconomic fundamentals while still featuring a high degree of under penetration of financial services compared to developed, Western European markets.

Following this acquisition, KBC will also become active in leasing, asset management and factoring in Bulgaria offering its customers a full range of banking services.

Closing of the transaction is subject to regulatory approval from the Bulgarian National Bank (BNB) and the Financial Supervision Commission of the Republic of Bulgaria (FSC), authorisation by the National Bank of Belgium (NBB) / the European Central Bank (ECB) and anti-trust approval.

The parties involved in the transaction expect the deal to close during the second quarter of 2017 at the latest.

Johan Thijs, KBC Group CEO, commented: *‘The acquisition of United Bulgarian Bank constitutes a logical and important step in KBC’s expansion in Central and Eastern Europe, which started nearly two decades ago. KBC has been present in Bulgaria since 2007 when it acquired CIBANK and DZI Insurance. In 2009, Bulgaria was defined as a core market in KBC Group’s strategy. KBC’s stated strategy is to be the market leader in its core markets, i.e. to occupy a top-three position in banking and top-four position in insurance. The combination of CIBANK and UBB will create the third-largest banking operation in the country, allowing KBC to strengthen its position from a current number nine. This acquisition is a highly synergistic transaction with significant value creation for our shareholders. Together with DZI Insurance, UBB-CIBANK will make KBC the true reference bank-insurance group in Bulgaria, to the benefit of customers, employees and all stakeholders.’*

Luc Gijssens, CEO of KBC’s International Markets Business Unit and Chairman of the board of CIBANK and DZI Insurance added: *‘This transaction presents a unique opportunity to solidify KBC’s position in Bulgaria. Both UBB and CIBANK performed very well in the Asset Quality Review and Stress Test conducted in August 2016 by the Bulgarian National Bank and their robust capital positions have been confirmed.*

KBC will also be able to share its know-how and extensive experience in the fields of bank-insurance, leasing, asset management and factoring. We are convinced that both the employees and the customers of UBB and CIBANK will benefit significantly from close cooperation and a future merger between the two companies.’

Peter Andronov, CEO of CIBANK and Country Manager, Bulgaria welcomes today’s agreement: *‘We look forward to cooperating closely with our new colleagues at UBB. The acquisition of UBB will allow us to immediately boost our market share in both lending and deposits. We will substantially strengthen and solidify our current position on the Bulgarian market and be able to play a major role in supporting the local economy.’*

Bulgaria: solid macroeconomic fundamentals and increasing consolidation in the banking sector

Bulgaria is a mid-sized market in South-East Europe with 7.4 million inhabitants. Over the past few years it has experienced a higher economic/GDP growth compared to KBC’s main core markets of Belgium and Czech Republic. A higher level of GDP growth is expected to be sustained in the coming years (3.7% on average, compared with an expected 1.5% in the European Union (EU) in 2017-2019).

Bulgaria benefits from EU membership (it has been a member since 1 January 2007) and close cooperation with the EU (two-thirds of its exports go to the EU, and it benefits from structured funds and foreign direct investment). Since 1997, its currency, the Bulgarian lev, has been pegged to the euro. Bulgaria’s prudent fiscal policy has resulted in a low public debt ratio (estimated at 28% of GDP in 2016), and a budget surplus.

Similar to other Central and Eastern European markets, the Bulgarian banking sector is currently underpenetrated, as illustrated by an assets/GDP ratio as of 2015 of 107% compared with an average of 345% for a group of European countries. Bulgarian banks are primarily owned by foreign, international financial institutions. Concentration in the Bulgarian banking sector is still very low but has started increasing, with the top five banks holding approximately 60% of the market in loans and deposits.

The under-penetration of the banking sector, coupled with higher-than-expected economic growth, is expected to become one of the key drivers behind the high growth of the Bulgarian market which will become increasingly important for KBC Group.

KBC's presence in Bulgaria (www.cibank.bg, www.dzi.bg, www.kbc.com)

In 2007, KBC acquired both CIBANK and DZI Insurance. Collaboration in the field of bank-insurance between DZI and CIBANK has grown significantly in recent years.

CIBANK currently holds ninth position in terms of total assets. The bank serves its 250,000 retail and SME clients through a network of approximately 100 branches and through electronic channels. Insurance is distributed through various channels. CIBANK is a universal bank, focused on home finance and savings. The bank offers a comprehensive range of financial services on the market, using the successful KBC distribution model for bank-insurance. CIBANK has 1.5 billion euros worth of assets (9M2016), a loan portfolio of 0.8 billion euros and deposits of 0.8 billion euros.

DZI Insurance is active in both life and non-life insurance with market shares of 12% and 11%, respectively.

UBB: a player offering a platform for expansion and synergy (www.ubb.bg, www.nbg.gr)

UBB was established in 1992 through the merger of 22 Bulgarian regional commercial banks and has been part of the financial group of the National Bank of Greece (NBG) since 2000.

UBB caters for retail, SME and large corporate clients and offers the full range of financial and banking products, among which investment banking, insurance, mutual funds, brokerage services and leasing through its affiliates. UBB's network comprises 190 branches and 691 ATMs in prime locations across the country.

UBB is Bulgaria's fourth-largest banking group by total assets (3.7 billion euros) with market share of 8% as at the end of September 2016. UBB caters for approximately 900 000 retail customers with market share of 11% in retail loans. UBB also has a strong presence in the corporate banking market with a share of 8% in corporate loans.

UBB has a track record of strong pre-provision profitability. The bank has a robust capital position (CET1 ratio of 27.8% as at the end of the third quarter of 2016) and reported the highest CET1 ratio among large banks in both the base and adverse stress test scenarios during the recent 2016 Asset Quality Review/Stress Tests. Its cost/income ratio amounted to 47% in 2015, putting it among the most cost efficient banks in the sector.

UBB is part of **NBG Group**, one of the largest financial groups in Greece, successfully operating for more than 160 years. NBG operates in 11 countries and controls, apart from UBB, 8 banks and 53 companies providing financial and other services, with a workforce of more than 20,000 employees. NBG has been listed on the Athens Stock Exchange since the latter's launch in 1880. Since October 1999, NBG has been also listed on the New York Stock Exchange.

Interlease, a 100% subsidiary of NBG, is a well-established brand built on a market presence of 21 years and is the third-largest provider of leasing services in Bulgaria with significant market shares across all major asset classes

- Equipment leasing: 15.7%
- Car leasing: 13.4%
- Commercial vehicles: 10.4%
- Real estate: 8.9%

offering KBC a platform for further growth.

For more information, please contact:

- Wim Allegaert, General Manager, Investor Relations, KBC Group
Tel + 32 2 429 50 51 - E-mail: wim.allegaert@kbc.be
- Viviane Huybrecht, General Manager, Corporate Communication/Spokesperson, KBC Group
Tel + 32 2 429 85 45 - E-mail: pressofficekbc@kbc.be

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

KBC Group NV

Havenlaan 2 – 1080 Brussels
Viviane Huybrecht
General Manager
Corporate Communication/Spokesperson
Tel. + 32 2 429 85 45

Press Office
Tel. + 32 2 429 65 01 Stef Leunens
Tel. + 32 2 429 29 15 Ilse De Muyer
Fax + 32 2 429 81 60
E-mail: pressofficekbc@kbc.be

KBC press releases are available at www.kbc.com
or can be obtained by sending an e-mail to
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