



Statement - update

Brussels, 3 May 2018 (*update from statement of 4 May 2017*)

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) to provide clarification on interpretation of tax rules.

As such and in line with its own transparency policy, KBC doesn't object to ruling commissions providing public details of their decisions.

Overview by country

1. KBC Tax Rulings in Belgium

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** received several tax rulings on the tax treatment of hybrid financial instruments they issued (qualifying as equity for regulatory purposes):

- 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 a ruling in March 2018, the Ruling Commission confirmed that the payments on the Additional Tier-1 notes issued by KBC Group in April 2018 and the payments on the mirroring Additional Tier-1 loan between KBC Group and KBC Bank, should be treated as tax deductible interest.

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 the UK

In March 2017, the British tax authorities confirmed that the transfer of the business lines of KBC Investments Ltd. to the KBC Bank London branch was deemed a continuation of those activities, with all the existing elements and features, including any losses, being transferred too.

3. 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.

4. Other countries

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

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