

Joint Press Release

Regulated information *

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KBC acquires full ownership of Istrobanka, thus capturing 10% of high-growth Slovakian market

Brussels, Bratislava – KBC and BAWAG P.S.K., the shareholder of Istrobanka, today reached agreement for KBC to acquire full ownership of Istrobanka, the 10th largest bank in terms of assets in Slovakia.

The deal values the bank at €350 million, 3.5 times its book value. KBC is already present in Slovakia through its subsidiary ČSOB, and the combination will result in the 4th largest banking operation in Slovakia, with a market share of approximately 10%.

The deal is subject to regulatory approval by the Central Bank of Slovakia and the Anti-Trust Commission. KBC expects the deal to be closed during the third quarter of 2008 at the latest.

André Bergen, KBC Group CEO, commented: ‘The acquisition of Istrobanka constitutes a logical and important step in KBC’s expansion in Central and Eastern Europe, which started a decade ago. KBC has been present in Slovakia since 1999, when it became majority shareholder of ČSOB. The combination of ČSOB and Istrobanka will create the 4th largest banking operation in the country, allowing KBC to strengthen its position in the attractive but increasingly consolidating Slovakian market, which offers significant potential for the further penetration of banking and insurance products. Istrobanka will allow KBC to unlock important cross-selling potential in both retail and corporate banking and to realise economies of scale, thus creating significant shareholder value.’

Daniel Kollar, CEO of ČSOB and Country manager of ČSOB Group in Slovakia welcomes today’s agreement : ‘We look forward to cooperating closely with the new colleagues at Istrobanka. The acquisition of Istrobanka will allow KBC to substantially strengthen and solidify its current position on the Slovak market and will immediately boost ČSOB’s market share in total lending from 7.6% to 10.5% and in deposits from 6.5% to 8.5%.’

Jan Vanhevel, CEO of KBC’s Central and Eastern European and Russian operations added ‘KBC will also be able to share its know-how and extensive experience in the field of asset management and insurance and implement its successful bancassurance concept. We are consequently convinced that both the employees and the customers of ČSOB and Istrobanka will benefit significantly from close cooperation and a future merger between the two companies.’

Volker Pichler, CEO of Istrobanka, added : ‘The management team of Istrobanka is extremely pleased and looks forward to cooperating closely with ČSOB, especially given their commitment to supporting the expansion of our banking and insurance business and increasing the focus on retail banking, both in terms of finance and

know-how. We are convinced that both the employees and the customers of the bank will benefit significantly from the involvement of one of the leading bancassurance groups in Europe.'

David Roberts, CEO of BAWAG P.S.K., said : 'BAWAG P.S.K. AG decided last year to concentrate on its Austrian core business and to follow a product lead approach in its foreign activities. Thus the divestiture of its subsidiary in the Slovak Republic represented the best avenue for Istrobanka's future growth and development. BAWAG P.S.K. AG are very pleased about KBC's investment in Istrobanka. This will give Istrobanka access to one of the leading networks in the region and will therefore bring new opportunities for growth and development to Istrobanka's customers and employees.'

Slovakia : strong macroeconomic fundamentals and increasing consolidation in the banking market

KBC is convinced that Slovakia's macroeconomic fundamentals will remain strong. In 2007, Slovak GDP grew by 13.1%, amply exceeding forecasts. Growth is expected to remain strong in 2008 and 2009 and will figure among the highest in the Central and Eastern European region. Slovakia's expected adoption of the euro on 1 January 2009 will further enhance the country's economic convergence.

Slovakian banks are primarily owned by foreign, international financial institutions, and the sector is characterised by increasing concentration, with the top 5 banks holding approximately 70% of the market in loans and deposits.

KBC's presence in Slovakia (www.csob.sk)

In 1999, KBC became the majority shareholder of ČSOB. The ČSOB group in Slovakia comprises the following companies: ČSOB Bank, ČSOB Insurance, ČSOB Asset Management, ČSOB Pension Funds Management Company, ČSOB Leasing, ČSOB Building Society and ČSOB Factoring.

ČSOB in Slovakia, which had been a branch of the Czech ČSOB Bank for 42 years, became an independent legal entity on 1 January 2008. Currently, it is one of the largest banks (top 4) operating in the Slovak market.

The bank serves its retail, SME and private banking clients through a network of over 100 branches. ČSOB is a universal bank, focused on home finance and savings. The bank offers the most comprehensive range of financial services on the market, using the successful KBC distribution model for bancassurance and asset management. Since 2004, it has experienced six-fold growth in mortgages and doubled the size of its mutual fund sales.

Istrobanka : a player offering a platform for expansion and synergy (www.istrobanka.sk)

Istrobanka was established in 1992 and acquired by BAWAG P.S.K. in 2002. The bank is the eighth largest lender in Slovakia, holding 2.2% of the deposit market and 3.2% of the loan market. Istrobanka, with 750 employees, offers retail and SME/corporate banking services to around 125 000 customers across the country through a network of 51 fully fledged branches and 9 bank 'shops'. Istrobanka also has a subsidiary offering asset management services. Istrobanka had total assets of around €1.22 billion and €100.5 million in shareholders' equity as at the end of 2007.

Lehman Brothers acted as the sell-side advisers, while buy-side advisors included JP Morgan and Patria, the Czech subsidiary of KBC Securities.

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Note for the editor :

KBC Group (www.kbc.com)

KBC is the second largest bancassurer in Belgium. It is the 18th largest bank in Europe and a top financial player in Central and Eastern Europe (on the basis of consolidated assets, branches and employees). KBC's headquarters are located in Brussels (Belgium), the heart of Europe.

The KBC group is present in more than 30 countries worldwide, employs 55 000 staff (nearly 30 000 of whom in Central and Eastern Europe) and caters for 12 million customers (some 8 million in Central and Eastern Europe).

KBC GROUP NV is listed on NYSE EURONEXT and the Luxembourg Stock Exchange (ticker symbol 'KBC').

KBC is a multi-channel bancassurer with a geographic focus on Europe, catering mainly for retail and private banking customers and small and medium-sized enterprises. Besides focusing on providing retail and private bancassurance services (via bank branches, insurance agents/brokers and the Internet), KBC is active in asset management and private equity, and in the field of corporate banking, leasing, factoring, re-insurance, insurance, brokerage, project and trade finance in Belgium, Central and Eastern Europe and elsewhere (mainly in Europe).

Moreover, KBC is active in the European debt capital markets, has a solid position in the domestic cash equity markets and is a prominent niche player in a number of global derivatives markets.

Over the past decade, KBC has built up a strong presence in many of the countries that joined the EU on 1 May 2004 (Poland, Hungary, the Czech and Slovak Republics). More recently, KBC has made acquisitions in Bulgaria (DZI Insurance, DZI Invest and EIBANK), Romania (KBC Securities Romania, Romstal Leasing and INK Insurance Broker), Russia (Absolut Bank) and Serbia (KBC Banka and Senzal, renamed KBC Securities AD Beograd, Hipobroker, currently KBC Broker, and Bastion, renamed KBC Securities Corporate Finance). These acquisitions are consistent with KBC's Central and Eastern European expansion criteria, and take advantage of the region's economic convergence with Europe and potential for the further penetration of banking and insurance products.

Besides its leading position in the Belgian and Central and Eastern European markets, KBC also has a private banking network in eight Western European countries.

BAWAG P.S.K. Group (www.bawagpsk.com)

With total assets of € 44.8 bn, the BAWAG P.S.K. Group is the fifth largest banking group in Austria and the leading retail bank for the middle-income market. Its mission is to be a cutting-edge universal financial services provider with considerable market expertise, comprehensive individual customer service and innovative products. With some 160 BAWAG branch offices and a presence in more than 1 300 post offices, the BAWAG P.S.K. Group operates the largest centrally managed financial distribution network in Austria. It is also the leading provider of payments services in Austria. The Group employs about 6 300 people in total.

The BAWAG P.S.K. is wholly owned by a consortium led by Cerberus Capital Management L.P, which includes the Austrian Post AG, Generali Holding Vienna AG, Wüstenrot Verwaltung- und Dienstleistungen GmbH and leading Austrian industrialists.