



Press Release

Outside trading hours - Regulated information*

Brussels, Sofia, 15 November 2021 (7.45 a.m. CET)

KBC acquires Bulgarian operations of Raiffeisen Bank International

This morning, Belgium-based KBC Bank ('KBC') and Austria-based Raiffeisen Bank International ('RBI') reached an agreement for KBC to acquire 100% of the shares of Raiffeisenbank (Bulgaria) EAD, comprising RBI's Bulgarian banking operations.

The transaction also includes Raiffeisenbank Bulgaria's fully-owned subsidiaries Raiffeisen Leasing Bulgaria, Raiffeisen Asset Management (Bulgaria), Raiffeisen Insurance Broker (serving Raiffeisenbank Bulgaria's leasing and corporate clients) and Raiffeisen Service.

The deal, involving a total consideration of 1 015 million euros paid in cash, reflects the quality of the Raiffeisen franchise and the synergies potential.

The transaction will be EPS accretive from year one onwards, whereby the purchase price represents a 1.64x multiple of the 2022E Tangible Book Value of the target and a 13 x P/E (based on 2022E Earnings). Leveraging on the combined entity and KBC's expertise, benefits from synergies are expected to quickly ramp up from ~12m EUR in 2022 to ~29m EUR in 2024 and remaining above ~25m EUR from 2025-2031 (pre-tax numbers).

The transaction will have a capital impact of around -1pp on KBC Group's CET1 (3Q21: 16.4% fully loaded, Danish Compromise) upon closing.

Completion of the transaction is subject to regulatory approval and is expected by mid-2022.

Raiffeisenbank (Bulgaria), an established and trusted nationwide universal banking franchise in Bulgaria with a proven track record

Raiffeisenbank (Bulgaria) has developed its banking business since entering the market in 1994. It is a leading universal bank in Bulgaria, offering a full range of banking, asset management, leasing and insurance brokerage services to retail, SME and corporate customers.

It ranks 6th in the market with a market share of 7.9% in assets and 8.4% in loans. Raiffeisenbank (Bulgaria) operates a network of 122 bank branches across the country, complemented with an agent network of mobile banking consultants, external partners and credit intermediaries. Raiffeisenbank (Bulgaria) employs 2,500 staff servicing 635,000 customers.

At the end of 1H2021, the entity had a 3.3 bn EUR loan portfolio (o/w 36% corporate and 64% retail incl. SME/micro), 4.2 bn EUR deposits and 5.2bn EUR assets and boasted net profit of 27m EUR. Its CET1 ratio at 1H2021 amounted to 16.4%.

Raiffeisenbank (Bulgaria) enjoys strong customer satisfaction/NPS across all segments and is focused on innovation and digital banking.

The transaction also includes Raiffeisen Leasing Bulgaria, the number 4 leasing company in Bulgaria (10.5% market share), Raiffeisen Asset Management (Bulgaria), the number 3 asset management company in Bulgaria (9.7% market share and 106m EUR AUM), Raiffeisen Insurance Broker (distributes products from 12 insurance companies; 1% market share) and Raiffeisen Service. These four companies are 100% owned by RBI Bulgaria.

Raiffeisenbank's risk appetite / profile and compliance governance is similar to KBC Group's.

KBC Group has been present in the Bulgarian financial sector since 2007. In 2009, KBC Group defined Bulgaria as one of its core markets. Today, KBC Group is present in Bulgaria through United Bulgarian Bank (UBB), DZI (Insurance), UBB Interlease, UBB Pension Insurance, UBB Asset Management, UBB Factoring, UBB Insurance Broker and KBC Branch Bulgaria. On 30 July 2021, KBC acquired NN's Bulgarian life insurance and pension fund activities.

UBB is a top 3 bank in Bulgaria in terms of assets whereas **DZI** retains the number one market share position in the insurance market. **UBB Interlease** has a leading position in Bulgaria. **UBB Asset Management** is the local asset management entity of the group now dominating the domestic market with over a quarter of the total assets held by Bulgarian funds.

The Group boasts a well-developed distribution network throughout the country, but has equally proven to be the digital reference with numerous digital solutions launched over the course of the past few years.

It is the intention, after regulatory approval, to proceed with the merger of Raiffeisenbank (Bulgaria) and UBB, which will allow KBC to strengthen its position in the Bulgarian banking market. The proforma combined entity (Raiffeisenbank and UBB) would reach 18.2% market share by assets (versus 10.3% for UBB), very close to the number 1 (19.8%) and number 2 (18.4%) players. Additionally, the combined UBB-Raiffeisenbank (Bulgaria) would become the number 2 player in loans (17.0% proforma market share).

Raiffeisenbank's strategy has been very similar to KBC's in Bulgaria. Strategic focus points for 2022-2023 include digital transformation and innovation, smart use of data (insights), agility, efficiency and E2E process automation and integration of ESG in the business model.

In addition, this acquisition will significantly strengthen UBB's market leadership in the asset management business and its leading position in the provision of leasing solutions, and will create significant cross-sales opportunities with DZI in the insurance area.

KBC will further consolidate its position as the number 1 integrated financial group in Bulgaria.

Pending closure of the deal and the subsequent integration of the entities into KBC's Bulgarian operations, Raiffeisenbank (Bulgaria) will continue to honour its commitments to the market while continuing to provide professional service of the highest quality to its customers.

Johan Thijs, KBC Group CEO, commented as follows on the deal: *"I am really delighted with this second Bulgarian acquisition in a year. We've established ourselves as a strong local player, offering a full range of high-quality banking, insurance, asset management and leasing services. Acquiring Raiffeisenbank (Bulgaria) is another testimony to our commitment to the Bulgarian market and support to the Bulgarian economy. We're extremely happy to acquire a high-quality business with an excellent reputation and management team. Its clear focus on innovation and digitalisation, combined with a high customer satisfaction rating, mirrors our own Digital First strategy and will allow us to further expand our Bulgarian business, reaffirming our leading position in the Bulgarian financial market."*

Peter Andronov, CEO of KBC Group's International Markets Business Unit added: *"We have always stated our interest in opportunities to grow our business in our core markets through bolt-on acquisitions, provided they meet our criteria and are in line with our strategy. The acquisition of Raiffeisenbank (Bulgaria) is fully in line with this strategy and further strengthens our already strong position in our Bulgarian core market. This investment allows us to deploy part of our group's capital into a franchise-enhancing, synergetic and value*

accretive investment opportunity in a market the group knows intimately. Ultimately we believe that all Raiffeisenbank's and KBC's stakeholders will benefit from our combined strengths."

Peter Roebben, country manager for KBC in Bulgaria concluded: *"Expanding our activities in Bulgaria, integrating Raiffeisenbank's high-end products while building on the competence and dynamism of both UBB and DZI, will help us to achieve our objectives and ensure future success. I look forward to welcoming Raiffeisenbank's staff and management team and am convinced that, together, we will further consolidate our leading position to the benefit of all our customers and other stakeholders."*

For more information, please contact:

Viviane Huybrecht, General Manager, Corporate Communication/Spokesperson, KBC Group
Tel. +32 2 429 85 45 - E-mail: pressofficekbc@kbc.be

Kurt De Baenst, General Manager, Investor Relations, KBC Group
Tel. +32 2 429 35 73 - E-mail : IR4U@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
Tel. +32 2 429 32 88 Pieter Kussé
Tel. +32 2 429 85 44 Sofie Spiessens
E-mail: pressofficekbc@kbc.be

KBC press releases are available at
www.kbc.com or can be obtained by
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