

# Press release



.....  
Moscow, 6 June 2008 6 a.m. CEST

## KBC celebrates its 10<sup>th</sup> anniversary

### KBC has evolved from a predominantly Flemish financial institution into a successful and solid international bancassurance group

*On 29 January 1998, the CEOs of Almanij, ABB Insurance, CERA Bank and Kredietbank signed a statement of intent to create the KBC group. Their aim was 'to become the leading independent multi-channel banking and insurance group'. Over the past ten years, KBC has proven the success of this concept. Bancassurance is a key element of KBC's strategy and of the group's growth between 1998 and 2008.*

At the occasion of the Investor Day in Moscow today, **André Bergen, KBC Group CEO**, commented on the group's expansion as follows: *'Within 10 years, KBC's balance sheet total has doubled, its net profit quadrupled, the number of staff tripled, assets under management have increased six-fold, technical provisions, insurance, five-fold and premium income in insurance tripled. As a result of the merger of 1998 and its clearly defined strategy, KBC has undeniably become a truly international bancassurance group, present in 35 countries, with over 57 000 employees (over 32 000 of whom are in Central and Eastern Europe and Russia) and some 100 nationalities, catering for more than 11 million customers. We are truly proud of what our group has accomplished so far. And we are convinced that we have a bright future ahead of us, which will benefit our shareholders, employees and customers alike'.*

#### **KBC 1998-2008**

KBC is currently the second-largest bancassurer in Belgium, the eighteenth-largest bancassurer in Europe and a top-5 player in Central and Eastern Europe.

Over the past 10 years, KBC has successfully developed the multi-channel bancassurance concept in Belgium and has implemented it in its other home markets in Central and Eastern Europe. It has undergone considerable geographic expansion in Central and Eastern Europe and Russia, both in banking and insurance. At the same time, KBC Asset Management, KBC Securities, KBC Private Equity, KBC Lease, KBC Real Estate and more recently KBC Consumer Finance have also followed this expansion strategy.

#### **Developing home markets in Central and Eastern Europe**

The merger in 1998 of three solid financial groups (Kredietbank, CERA Bank and ABB Insurance) created a strong and well-capitalised group. At that time, banking assets in Western Europe were rather expensive and KBC did not want to pay excessive acquisition prices for rather small market shares in relatively mature markets. The group therefore turned to the emerging and fast-growing Central and Eastern European markets, where it benefited from a first-mover price advantage.

ABB Insurance had had a stake in Argosz Insurance in Hungary since 1992, Kredietbank had bought a stake in the Polish Kredyt Bank in 1996 and had become a reference shareholder in K&H Bank in

Hungary in 1997. Since 1998, KBC has gradually stepped up its investments in the region. It has also broadened the scope from Hungary, Poland, Slovakia and the Czech Republic to the new EU members (Romania, Bulgaria) and beyond (Serbia and Russia). In each acquisition, KBC has taken into account the possibility to acquire a majority shareholding, the country risks involved and the economic forecasts.

In Central and Eastern Europe and Russia, where it employs more than 32 000 FTEs and has more than 1 200 bank branches and 14 000 insurance agents, KBC is currently focusing on organic growth. Approximately 370 new branches (2 per week) are being opened in Poland, Hungary and Slovakia. And KBC is expanding the bank branch network in Russia, too, which will enable the group to better service existing customers and to reach more new customers.

At the same time, KBC is also interested in making add-on acquisitions in the countries where it is already present.

### ***The successful multi-channel bancassurance concept in Belgium***

Today KBC is probably the most **integrated** bancassurer in Europe, with full operational integration of its banking and insurance activities in such fields as HR, finance, risk management, marketing and IT. It is also a **multi-channel** bancassurer, whereby its products and services are distributed through a number of channels such as bank branches, independent brokers, tied self-employed insurance agents, and online.

KBC continues to invest in its intricate network of bank branches and insurance agents because customer satisfaction surveys constantly prove that customers greatly value the personalised advice and appreciate having a branch in the neighbourhood. At the same time, customers have become more Internet oriented. Therefore, the different channels KBC uses (bank branches, insurance agents, contact centres, Internet) are complementary, and provide effective market coverage.

Today, KBC has a network of 771 bank branches and 552 insurance agents in Belgium, with an average number of FTEs per KBC bank branch that has risen from 4.33 per branch in 1998 to 7.45 per branch at the end of 2007. The number of online customers has increased from 9 000 in 1998 to 580 000 at the end of 2007.

The bank branches and tied insurance agents work together very closely in a so-called micro-market. This unique concept has led to some remarkable results: the bank is the dominant sales channel for life insurance (77% of premium income), whereas non-life products are predominantly distributed by the tied insurance agents and independent brokers (15% sold through bank branches).

### ***Successful export of the bancassurance model to Central and Eastern Europe***

Over recent years, the bancassurance model has been gradually introduced in Central and Eastern Europe. During this process, KBC has taken into account local characteristics and started with the sale of plugged-in and banking-related life and non-life insurance products, followed by investment type insurance. Some simple/basic stand-alone insurance products have subsequently been added to the range of insurance products sold through the banks.

Country teams have been set up to manage both banking and insurance activities in the respective countries, thereby ensuring an integrated approach.

This way of working has proved successful: Central and Eastern Europe already represents 40% of the group's premium income in non-life insurance and 12% in life insurance. In this region, the bank branches are also the dominant sales channel for life products. Over the past six years, KBC's technical reserves have grown 18.2% each year, significantly more than, for instance, the total Belgian market (13.3%).

### ***KBC Asset Management: another clear success story***

Another definite component of the group's success has been the expansion of KBC Asset Management. Its assets under management have risen from 17 billion euros in 1998 to 174.6 billion euros in 2007. KBC Asset Management's shares of the Belgian and CEE home markets have gone up, too. In capital-guaranteed funds, it had market shares of 65% in the Czech Republic, 54% in Poland and Belgium, 43% in Slovakia and 37% in Hungary at the end of 2007. But this growth is not limited to Belgium and Central and Eastern Europe; KBC AM is also expanding in China, Korea, Taiwan, Japan and New Zealand (third party distribution).

Assets under management in KBC SRI (socially responsible investment) funds have also risen, from 17 million euros in 1998 to 6.25 billion euros at the end of 2007. According to the Belgian Asset Managers Association (BEAMA), KBC accounts for almost 60% of the market for SRI funds. And those SRI funds are becoming popular with investors abroad, too, with assets under management in these funds amounting to 1 billion euros outside Belgium.

### ***KBC Securities: following in the successful tracks of its parent company***

KBC Securities, the wholly-owned securities brokerage subsidiary of KBC Group NV, focuses on both institutional and retail customers.

The company has already established a strong home base in Central and Eastern Europe. In the Czech Republic, the broker, Patria Finance (a wholly-owned subsidiary of KBC Securities), is the market leader, with a 28% share. In Hungary, KBC Securities has increased its market share from 14% in 2006 to 23% today. In Poland, KBC Securities acquired full ownership of the existing brokerage activities of Kredyt Bank at the start of 2005. Since then, its market share has gone up from 1% to 6%. In Romania, KBC Securities Romania has tripled its market share to 12.9% and has become market leader since being acquired by KBC Securities at the end of 2006. And in Serbia, KBC Securities has a market share of 5.9%, putting it in third place there.

In total, KBC's stockbroking firms in Central and Eastern Europe currently employ 315 individuals, and KBC Securities' activities in this region account for roughly 43% of its turnover.

### ***KBC Private Equity: slow but steady expansion in CEER***

KBC Private Equity, the private equity house of the KBC group, employs some 30 people, and provides growth capital to and finances the buy-outs of small and medium-sized companies for amounts of between 2 million and 50 million euros. KBC Private Equity operates primarily in Belgium and in Central and Eastern Europe, where it has local teams in the Czech Republic, Poland, Hungary and, more recently, Romania and Russia (through a joint venture with GIMV, a European investment company specialising in private equity and venture capital operations).

With an experienced team of 30 people, Private Equity has around 60 active investments in portfolio, with a market value in excess of 450 million euros. In the CEE region, it has a net exposure of around 80 million euros through 7 participations.

### ***KBC Lease: another growth component of the KBC group***

KBC Lease is present in 15 European countries including Belgium, the Netherlands, Luxembourg, the UK, Germany, France, Switzerland, Italy and Spain. It signed 3.3 billion euros worth of new leasing contracts in 2007. Furthermore, KBC Lease has expanded into Central and Eastern Europe with activities in the Czech Republic, Slovakia, Poland, Hungary and Romania. It employs some 1 300 FTEs throughout the CEE region. The company provides general leasing, full service leasing, vendor finance and real estate leasing. One of the main distribution channels in the CEE region are car dealers, although it is working on strengthening sales through KBC's bank branches. The future aim is to grow organically and capitalise on the current KBC Lease franchises.

### ***KBC Consumer Finance***

KBC Consumer Finance was created in 2006 as an independent, cohesive and dedicated entity within KBC with the objective of managing the consumer finance activities of all KBC group entities.

KBC Consumer Finance currently has operating units in four countries: Poland, Belgium, the Czech Republic and Romania.

In the Czech Republic and Belgium, consumer finance is a business line/product factory within the local banks, ČSOB Bank, Postal Savings Bank (Czech Republic) and KBC Bank (Belgium). In Poland, where KBC Consumer Finance is headquartered, it operates through a separate consumer finance specialist company called Żagiel. KBC Consumer Finance has acquired significant experience and know-how in selling consumer finance products and services to a broad range of customers through a mix of sales outlets dedicated to selling consumer finance products, agents, brokers, telemarketing (call centre), and the Internet.

In Romania, KBC Consumer Finance started earlier this year with a greenfield venture, a separate consumer finance specialist company. It is building on the know-how and expertise acquired in the other operating units in the group, where KBC Consumer Finance can rely on 15 years of experience offering cash loans, instalment loans and credit cards to more than 2 million customers, in partnership with 27 000 co-operating retail sales partners, 3 100 agents and brokers, and supported by more than 1 700 experienced staff. KBC Consumer Finance plans to further evaluate opportunities arising in the other Central and Eastern European markets.

**For more information, please contact :**

- Viviane Huybrecht, Head of Group Communication and of the KBC Press Office  
Spokesperson, KBC Group  
Tel. (32) 2 429 85 45  
[pressofficekbc@kbc.be](mailto:pressofficekbc@kbc.be)
  
- Luc Cool, Director of Investor Relations, KBC Group  
Tel. (32) 2 429 40 51  
[investor.relations@kbc.com](mailto:investor.relations@kbc.com)