

Regulated information (*)



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Daiwa Capital Markets to acquire KBC Group's Global Convertible Bond and Asian Equity Derivatives businesses

KBC Group has reached an agreement with Daiwa Capital Markets (registered name in Japan is Daiwa Securities Capital Markets) for the sale of its Global Convertible Bond and Asian Equity Derivatives businesses for a total consideration of approximately USD 1 billion*, consisting of approximately USD 0.2 billion for staff, IT infrastructure and other assets (excluding the trading position) and approximately USD 0.8 billion for the trading position. The acquisition forms a strong foundation for Daiwa's growing derivatives business whilst freeing up capital resources for KBC in the amount of USD 0.2 billion.

- In November 2009, Daiwa Capital Markets (Daiwa), the investment banking arm of leading Japanese brokerage and financial services company, Daiwa Securities Group, announced plans to significantly grow its global markets operations including derivatives. This acquisition represents a significant step towards executing this strategy, and the firm intends to grow the acquired businesses, integrating them into its existing derivatives franchise, and so providing continuity and future growth opportunities for staff and customers.
- The businesses being acquired by Daiwa are leading market players in the sales, trading and structuring of global convertible bonds and Asian equity derivatives. These businesses employ approximately 150 staff across offices in London, New York and Hong Kong.
- The businesses, platform and operations will be maintained in their entirety by Daiwa and will report to Daiwa's Global Head of Derivatives, Dominique Blanchard.
- In the Asia Pacific region KBC Bank will continue to concentrate on corporate banking including lending, trade finance and treasury sales for core clients with links to KBC's home markets in Europe.
- Over the last two years, KBC's Global Convertible Bond and Asia Equity Derivatives business generated an average contribution to the underlying net result of KBC Group of 2%.
- The transaction will release approximately USD 0.2 billion in capital for KBC, resulting in an increase in KBC's tier-1 ratio of 10 basis points.
- The closing of the transaction is subject to regulatory approval and is expected to be completed by early in the fourth quarter of 2010.

* The exact amount will be determined at completion when assets are transferred at market value at that time.

Jan Vanhevel, CEO of KBC Group, commented: *“The agreement announced today marks another important step in KBC’s strategy to wind down the structured products business within KBC Financial Products. This divestment frees up substantial capital resources while further reducing our group’s risk profile and strengthening the group’s focus on its core bancassurance markets and expertise. We are convinced that Daiwa will enable the business to grow, while securing the future of the staff of these businesses and maintaining excellent customer service levels.”*

Toshinao Matsushima, Global Head of Markets at Daiwa in Tokyo added: *“We are very pleased to welcome KBC’s Global Convertibles and Asian Equity Derivatives business into our group. Last November we announced plans to globalise our offerings, centering our efforts on the growing Asian markets. With this acquisition we demonstrate our commitment not just to growing in Asia, but also to building a globally competitive derivatives business. The acquisition cements and accelerates our plans to become a major player in the Asian equity derivatives and global convertible bonds space. We intend to ensure that their customers continue to receive the same outstanding service from a motivated and highly-specialised staff working as part of one of Japan’s leading financial services companies.”*

Luc Popelier, CEO of KBC Group’s Market Activities, continued: *“I am delighted that KBC’s Global Convertible Bond and Asian Equity Derivatives businesses can now continue their growth path with a solid and reliable international financial group like Daiwa. The experience and know-how that both businesses have built up over the years will enable them to continue responding to the increasing demand for new innovative products and for high-quality service. We look forward to that and wish our colleagues from both businesses every success in developing the business further under the Daiwa label.”*

Impact on KBC

On 18 November, 2009, KBC announced its updated strategy of focusing on its core bancassurance expertise in its home markets (in Belgium and Central and Eastern Europe) and further reducing the risk profile of the group. As part of this strategic update, KBC Financial Products’ activities had been earmarked for divestment or run-down.

KBC Financial Products is a leading market player in the sales, trading and structuring of global convertible bonds and Asian equity derivatives. Its Global Convertibles product range covers a complete set of primary and secondary market services for issuers and investors in convertible bonds on the European, US, Asian and Japanese markets. The entity is a top-ranked player, making markets in over 1 200 global convertible bonds issues. Its Asian Equity Derivatives business is one of the top three issuers of Hong Kong warrants providing market-making services in listed Hong Kong warrants and issues of equity-linked notes and options based on the equity of Asian companies. As this business was not deemed consistent anymore with KBC’s core strategy, it was earmarked for divestment.

The agreement reached with Daiwa immediately releases 0.2 billion dollars’ worth of capital and will have a positive impact of 10 basis points on KBC’s tier-1 ratio. Over the last two years, the businesses generated an average net profit contribution to the underlying result of the KBC group of 2%.

In recent months, KBC Financial Products has divested its Japanese Equities business, its US-based reverse mortgage entity, World Allied Finance Corp, and (in December 2008) its Asia-

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

focused fund of funds management activities. KBC Financial Product's fund derivatives, structured credit products and legacy parts of the equity derivatives businesses, as well as some remaining smaller business lines, are under review or working in a run-off mode.

Strategic fit with Daiwa

The acquisition brings further scale to Daiwa's growing derivatives and investment products business, specifically in the equity space. In June 2008, Daiwa took the strategic decision to scale up its structured products platform, starting with its home market in Japan, and the firm is now expanding its offerings across Asia. This acquisition follows announcements, made last November, that the Japanese investment bank intends to double its headcount in Asia. Daiwa operates across equity, fixed income, rates and foreign exchange in the derivatives markets.

Dominique Blanchard, Hong Kong-based Global Head of Derivatives at Daiwa, says: "By acquiring these KBC businesses, Daiwa immediately becomes a significant player in the global convertible bonds and Asian derivatives markets. We are acquiring quality teams with successful and long-standing track records of being leaders in their markets. Importantly, the strategic fit with Daiwa is excellent and the addition of these teams will complement our other expansion plans."

Notes to editors

About KBC Global Convertibles and Asian Equity Derivatives (www.kbcfp.com)

KBC's Global Convertibles and Asian Equity Derivatives businesses were established as part of the former D.E. Shaw Financial Products Business, in 1993 and 1998, respectively. D.E. Shaw Financial Products Business was acquired by KBC in 1999.

The Global Convertibles' product range comprises primary and secondary market services for issuers and investors in convertible bonds on the European, US, Asian and Japanese markets. It is a top-ranked player making markets in over 1 200 global convertible bond issues.

Asian Equity Derivatives provides market-making services in listed Hong Kong warrants and issues equity-linked notes and options based on the equity of Asian companies. It is one of the top three issuers of Hong Kong warrants and benefits from a QFII licence allowing purchases of A-shares of Chinese companies.

Over time, both businesses have expanded their product and service offerings and have established themselves as recognised market players in their specific domain. They operate on the backbone of a scalable, adaptable and integrated global state-of-the-art platform. The businesses employ approximately 150 staff and operate from offices in London, New York and Hong Kong.

About Daiwa Capital Markets (www.daiwacm.com)

Daiwa Capital Markets is the wholly-owned investment banking arm of Daiwa Securities Group. The award winning firm has more than 4 000 employees worldwide and provides integrated financial services including brokerage, derivatives, capital raising, IPOs, mergers & acquisition and other creative financial solutions to clients through a network of more than 20 offices in Asia, the Middle East, Europe, North America and Oceania.

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About Daiwa Securities Group (www.daiwa-grp.jp/english/)

Daiwa Securities Group is one of the largest brokerage and banking groups in Japan and employs more than 16 000 professionals worldwide providing comprehensive financial services, including retail brokerage, investment banking and asset management. Daiwa Securities Group has been in continuous operation in the financial services industry since 1902. It is listed on the Tokyo Stock Exchange.

About KBC Group NV (www.kbc.com)

Follow KBC on www.twitter.com/kbc_group

KBC is a bancassurer that focuses on its home markets in Belgium and Central and Eastern Europe (Czech Republic, Slovakia, Poland, Hungary and Bulgaria). KBC's headquarters are located in Brussels (Belgium), the heart of Europe. The group employs around 54 000 staff and caters for 12 million customers. KBC Group NV is listed on NYSE Euronext Brussels (ticker symbol 'KBC'). KBC's press releases are available at www.kbc.com.

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