



Press release



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KBC Asset Management and Union Bank of India enter into a partnership to create an asset management company in India

(Brussels – Mumbai) – Today, KBC Asset Management, the globally active asset manager of the Belgian KBC group, and Union Bank of India (UBI), a leading nationalised bank in India, announced a strategic alliance by signing a Memorandum of Understanding as a first step to form a joint venture asset management company in India, in which they will take a stake of 49% and 51%, respectively.

The expertise of KBC Asset Management, especially in capital-protected investment funds for retail customers, combined with Union Bank of India's knowledge of local investors and its extensive network of branches and points of services represent the perfect blend of ingredients to create a top asset management company for retail and corporate investors in India.

Commenting on the partnership, **Danny De Raymaeker, Member of the Executive Committee of KBC Group and Member of the Board of Directors of KBC Asset Management**, had this to say: *'It is with great professional pride that we accept this most exciting mandate, one which will enable us to gain direct access to the fastest growing asset management area in the world and allow us to team up with one of India's leading banks. Union Bank of India has developed an incisive strategy, emphasising the importance of developing asset management activities for its future growth. This joint venture positions both partners on an effective platform for product development, aimed at the profile of the local client base and at organising the transfer of product knowledge to UBI's branches, which will ensure that the sales force receives the appropriate investment products in good time.'*

The joint venture marks KBC Asset Management's first step into the Indian market, where it aims to set itself apart and create a dominant position by offering Indian investors the latest international products, particularly capital-protected funds and structured products, and a full range of asset management products.

The Indian asset management industry has been growing at the rapid rate of 47% year-on-year since 2003, outpacing most economies, including the US, UK and Brazil where asset management activities grew by 13%, 29% and 44%, respectively. In terms of assets under management (AUM), Indian AUM represents just 8% of GDP, compared to 79% in US and 39% in Brazil, while the penetration rate for household investments in mutual funds is only 3-4%. These factors clearly show that the Indian mutual fund industry is at a nascent stage and that there is ample scope for growth in the coming years, especially in the retail segment.

Mr M. V. Nair, Chairman & Managing Director, Union Bank of India said: *'With the growth of the economy, the financial sector in India has been expanding significantly and established players, more particularly banks, are looking at various opportunities to create synergies among the different lines of business. Over the past few years, the Indian economy has grown at a tremendous rate, resulting in rising stock exchange indices and simultaneously creating an opportunity for wealth creation. Since decision-making for direct investments in the equity markets is a problem, this has also created awareness of and an interest in mutual fund investments among the urban, semi-urban and rural population.'*

Continuing, he added: 'Over the next five years, the retail segment of the Indian mutual fund industry is expected to grow at a CAGR of between 35% and 42%, a development which could see the

addition of nearly nine million first-time retail customers. By entering into the mutual fund business , a ready platform would be available with us to add value to bank customers. With a captive mutual fund company, we would be in a better position to manage the overall needs of both retail and corporate customers.'

Note to the editor:

About Union Bank of India:

Union Bank of India is a large public sector bank, with a network of 2 518 outlets across the length and breadth of the country and 20 million customers in over 1 500 centres. At the end of March 2008, the bank had a total business mix of more than INR 179 000 crore (approx 26.4 bln Euro). Its total deposits amounted to INR 103 000 crore (approx 15 bln Euro), while advances came to INR 75 000 crore (approx 11 bln Euro). The bank's net profit for the year ended March 2008 was INR 1 387 crore (approx 205 mln Euro), representing year-on-year growth of 63.8%. The gross NPA ratio was 2.20%, while the net NPA ratio came to 0.17%. The capital adequacy ratio for the bank stood at 12.51% at the end of March 2008. Union Bank of India is distributor for more than 20 asset management companies in India and offers a variety of branch-wide services.

About KBC Asset Management NV (KBC AM) : www.kbcam.be

KBC Asset Management is a 100% subsidiary of the **KBC group** and a leading Belgian asset manager with operations around the world. It is mainly active on KBC's home markets of Belgium and Central and Eastern Europe, but it is also stepping up its activities in other growth markets like China, Taiwan, Hong Kong, South Korea, New Zealand, Spain, the Netherlands, the US, Switzerland, Germany and Austria.

It had approximately 174 billion euros worth of assets under management at year-end 2007 and has the resources and commitment to expand further at home and abroad.

Figures provided by the Belgian Asset Managers' Association (at year-end 2007) show that KBC Asset Management leads the field in Belgium, with a market share of 35.6%. Its share of the Belgian market for capital-guaranteed products comes to no less than 55%.

The company has also successfully rolled out its business model in a number of Central and Eastern European markets, thereby acquiring a substantial market position in a number of countries, including the Czech Republic, Hungary and the Slovak Republic. Last year, it set up successful joint ventures and co-operation agreements in China, Taiwan and New Zealand. KBC Asset Management's results are indicative for the right skill set, product range, flexibility and coaching structures that will be made available to the joint venture entered into with Union Bank of India.

About KBC Group NV: www.kbc.com

KBC is a top bancassurer in Belgium and a top financial player in Central and Eastern Europe and Russia (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 35 countries worldwide, employs 57 000 staff and caters for 12 million customers.

KBC GROUP NV is listed on EURONEXT Brussels 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), it is active in asset management and private equity, and in the field of corporate banking, leasing, factoring, re-insurance, insurance, securities' brokerage, project and trade finance in Belgium, Central and Eastern Europe and elsewhere (mainly in Europe). Moreover, it 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.

Besides the significant, even leading positions KBC enjoys in its home markets of Belgium and Central and Eastern Europe and Russia, the group also has an extensive private banking network in eight Western European countries.