



REPORT
TO
SOCIETY
for 2018



yesterday

we were seeking

today

we see opportunities

tomorrow

is full of possibilities

Dear Reader,

Despite slower economic growth in Europe and a number of persistent risks and uncertainties on the financial stage, 2018 turned out to be another strong year.

KBC also celebrated its twentieth birthday in 2018. A great deal has changed over those two decades, not least the overwhelming rise of the digital dimension. Here at KBC we embrace the digital future, while focusing first and foremost on our clients' wishes – something that definitely hasn't changed over the past twenty years. Our clients are always at the centre of everything we do.

As a bank-insurer, we want to help our clients achieve and protect their dreams. Everyone at KBC contributes to this through their own individual talents. Because we can only make those dreams a reality if we do business in a future-oriented and sustainable way. We did it in the past, we do it today, and we will keep doing it in the future. We're committed to continuity and profitable growth: in other words, what we're pursuing is 'VOLHOUBAARHEID'!

KBC sets great store by your trust. In this Report to Society, we share with you in a transparent way our strategy, achievements and those areas in which we need to improve. We hope you'll give us your feedback, so we can test ourselves even more effectively against the challenges facing our society. We're convinced that dialogue and cooperation will enable us to play [our part in society](#) even more effectively and to address the complex challenges of today and tomorrow.

We hope you enjoy reading our report.

Johan Thijs
President of the Executive Committee

Thomas Leysen
Chairman of the Board of Directors

¹ 'Volhoubaarheid' is Afrikaans for 'sustainability'.

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KBC



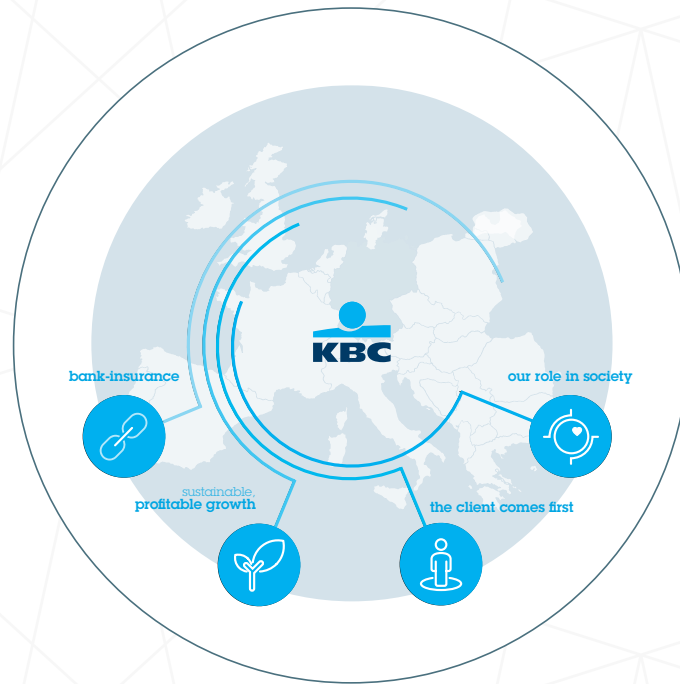
We're a **bank-insurer**
that wants to help our stakeholders fulfil
and protect their dreams.

We're active in six core markets: Belgium, the Czech Republic, Slovakia,
Hungary, Bulgaria and Ireland.

KBC can count on a group of 42 000 talented employees
from different countries who work hard every day to gain,
retain and increase our clients' trust.

We have distilled **our business culture** down to the acronym **Pearl**: **P**erformance: we strive for excellent results and do what we promise to do. **E**mpowerment: we allow the creativity and talent of the individual employee to blossom. **A**ccountability: we meet our personal responsibility. **R**esponsiveness: we anticipate and respond readily to questions and suggestions. **L**ocal Embeddedness: we view the diversity of our teams and clients in our core markets as a strength.

at a glance



Our group strategy is founded on four mutually reinforcing principles:

We put our clients' interests at the heart of everything we do and always offer them a high quality service and relevant solutions.

We look to offer our clients a unique bank-insurance experience.

We focus on our group's long-term development and aim in that way to achieve sustainable and profitable growth.

We take our responsibility towards society and local economies very seriously, as reflected in our everyday activities.

Our values challenge us day in, day out to behave critically and responsibly.

Respectful of our clients, colleagues, society and KBC itself Responsive and Results-driven

That's what will make us the reference in all our core markets.

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YEARS AFTER THE CRISIS

What has changed?



KBC's focus prior to 2008 was on growth. Expansion was not only geared towards banking and insurance in Central and Eastern Europe, it also focused on financial market products, with an emphasis on derivatives. And it was precisely the latter that led to problems.

We realigned our company after 2008: we scaled back our balance sheet by 35%, we withdrew from countries like Romania and Russia that were somewhat 'exotic' from our perspective, and we disposed of several non-core operations, such as derivatives trading.

KBC IS A FUNDAMENTALLY DIFFERENT BUSINESS IN 2018 THAN IT WAS IN 2008.

We have become a different company, we now have a different goal, a different strategy, a different business culture and... we're well and truly back!

KBC is one of the best capitalised and most profitable bank-insurers in Europe.

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LESSONS FROM THE CRISIS

One of the most important lessons is **TO STICK WITH WHAT YOU DO BEST**. We continue to expand our core activities – through partnerships, for instance – but the focus remains clear: banking, insurance and asset management for private individuals and small and medium sized enterprises.

A second point: **KEEP A CONSTANT WATCH ON YOUR RISKS**. The trauma of the crisis means that awareness of risk is high throughout the KBC group. Risk management isn't just the responsibility of a single department, but of every employee. What's more, it's a constant process of day-to-day monitoring and evaluation, the standards for which are ever more rigorous.

Our primary focus in the first years after the crisis was on our financial recovery. As of 2012, we turned the spotlight on our model. We brought about a change of culture through 'Pearl', which **PREVENTS US FROM GETTING SWEEPED UP TOO EASILY WITH THE PREVAILING CURRENT**. We call on every employee to keep their eyes and ears open for potential new needs on the part of our clients, to bring all their knowledge to bear and to take responsibility.

We have placed the **SUSTAINABILITY OF OUR GROWTH EXPLICITLY ON THE AGENDA**. Profitability in a healthy risk framework is the guarantee of a long-term relationship with all our stakeholders. The Sustainability department stimulates the sustainable approach across the group and closely monitors its results.

In 2014, we made **OUR ROLE IN SOCIETY** one of the pillars of our strategy. Because a financial institution is not there only for its clients and its shareholders, but for the whole of society.

What does sustainability@KBC mean?

What doing business sustainably means for KBC is that we serve our clients in such a way that they want a long-term relationship with us; that we strictly manage our risks so that we can move forward at all times under our own steam; and that we make a real contribution through our products and services to the transition to a more sustainable society.

We believe that by steadily increasing the sustainability of our core activities – banking, insurance and asset management – we can make a real difference to the **local economy and society**.

In KBC's view, it is also very important that sustainability is integrated throughout our business operations and supported by **all our employees**. And we can only achieve this if we have the necessary **financial resilience**. Which is why we constantly pursue a balance between healthy profitability and fulfilling our role as a socially responsible business.

How financially resilient is KBC?

We closed 2018 with earnings of almost 2.6 billion euros. In terms of the resources we deploy that represents a return on equity of 16%. We maintain a robust capital base of 19.6 billion euros and our cost/income ratio stood at 57.5%.

Our most important capital ratio² amounted to a hefty 16% on 31 December 2018, substantially higher than the 10.7% required by the supervisory authorities.

The Solvency II ratio of 217% ranks KBC Insurance amongst the best-capitalised companies in the European insurance industry.

KBC has a group of core shareholders, including Cera, MRBB and other core shareholders (families), which held just over 40% of our shares at the end of 2018. Our core shareholders provide KBC with a solid anchor and enable us to pursue a strategy focused on the long term.



² Group common equity ratio (Basel III, fully loaded according to the Danish compromise method)

How do we approach sustainability?

Our clients' trust depends entirely on responsible behaviour on the part of every employee.

Responsible behaviour

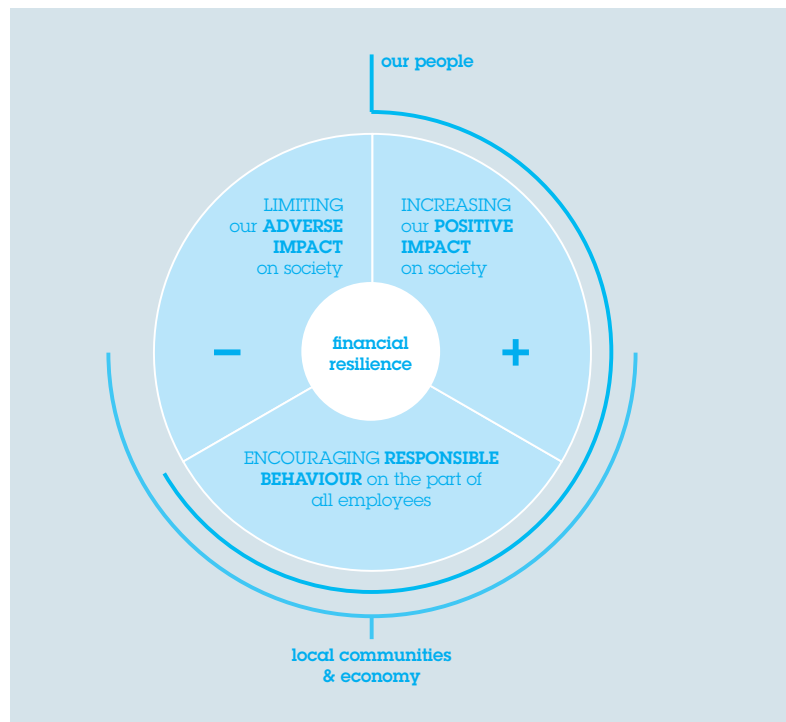
KBC is adamant that all its employees must behave responsibly, so this is a theme that comes top of our agenda. KBC once again devoted a considerable amount of work to responsible behaviour in 2018, more specifically on promoting the right mindset. Behaving responsibly is not just about regulations and compliance, it's an attitude. It's the duty of every employee at every level of the organisation to act appropriately, day in, day out.

My Responsible Behaviour Compass

Responsible behaviour is tricky to define and so we have specifically decided not to draw up precise guidelines for it, but to set out the underlying principles instead. These are presented in 'My Responsible Behaviour Compass'. This guide is not an all-embracing document listing every situation with which employees might be confronted in their everyday work, as there needs to be room for common sense and a professional, multidimensional awareness. It does, however, set out the principles to be respected, which have to be translated into every decision and action we take.

Dilemma training

KBC University provides management with dilemma training, in which the theory is taught and practised using concrete situations. We also publish a monthly dilemma on our Intranet, which employees are invited to discuss collectively and to consider from different angles. In many cases, several solutions are possible – there is no right or wrong answer and the challenge lies in testing your own decision against your colleagues' viewpoints. This approach leads to discussions that heighten awareness of the importance of responsible behaviour.



Reducing negative impact on society and enhancing positive impact

As a bank-insurer, we want to increase our positive impact on society in areas where we can make a difference through our day-to-day activities: financial literacy, environmental responsibility, entrepreneurship, and longevity and health.

In the course of all these activities, we also want to mitigate any adverse effects we might have on society by adopting strict policy guidelines and sustainability rules, reducing our own ecological footprint and promoting sustainable investment products.

The way we approach this in practice is set out in this report with reference to the big issues currently facing society.

We also want to mitigate our negative impact and enhance our positive impact.

**Ensuring responsible
behaviour today
is a necessary
precondition
if we still want to be around
in the future.**

Overview of taxes paid in 2018

(In euros)	Income tax	Non-recoverable VAT and other miscellaneous taxes	Bank levy and deposit protection fund	Total
Belgium	312 000 000	127 610 000	268 000 000	707 610 000
Czech Republic	149 000 000	53 110 000	30 000 000	232 110 000
Hungary	29 000 000	25 510 000	111 000 000	165 510 000
Slovakia	19 000 000	18 400 000	20 000 000	57 400 000
Bulgaria	28 000 000	6 740 000	14 000 000	48 740 000
Ireland	0	16 850 000	19 000 000	35 850 000
Total	537 000 000	248 220 000	462 000 000	1 247 220 000



How does KBC view
the challenges of
today's society?



The Report to Society for 2018 focuses on ten societal themes framed as questions that society might ask. We don't just look to the past and our achievements, but also focus on the challenges for the years ahead.

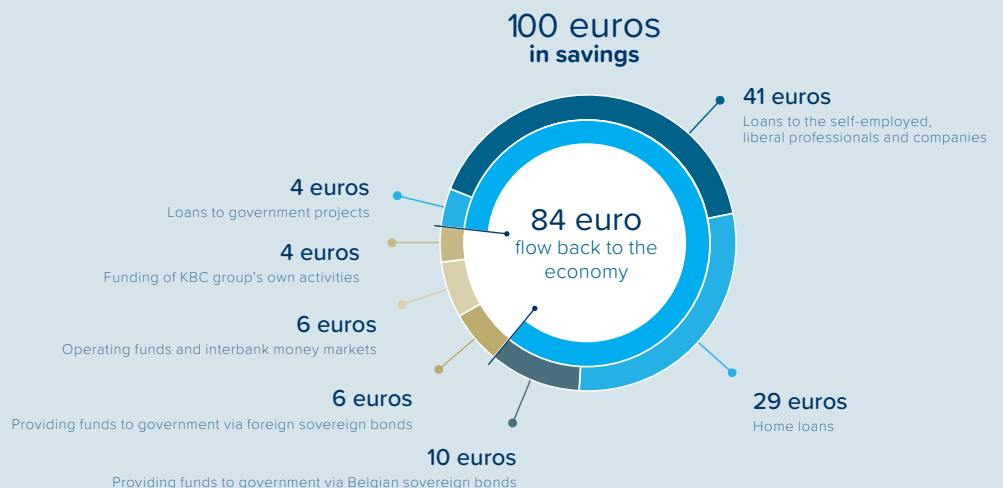
Does money make the world go around?

By carefully choosing who they do business with, bank-insurers can make a substantial contribution to a society that's oriented towards the future.

How does KBC apply this principle? As a bank, we want to invest our clients' savings in businesses that are worthy of them. And those are exactly the kind of businesses we want to insure as well. We therefore have a clear policy regarding which products we sell to which clients and we apply a restrictive credit insurance approach to applications from controversial sectors. At the same time, we actively support sectors and companies that do business in a socially responsible manner, such as projects focused on the production of renewable energy. We will keep our finger on the pulse in 2019, so that our knowledge can evolve in line with society's changing perceptions and expectations.

How your savings help the economy

In 2018, we once again invested 74 out of every 100 euros our clients saved with us in the economy, through loans to private individuals, businesses and government projects. Plus another 10 euros in Belgian government bonds, making a total of 84 euros.



Arms

We were already extremely reluctant to finance companies involved in the arms trade, and since 1 July 2018, nuclear weapons have also been categorised as controversial and excluded from all KBC activities. In this way, we have aligned ourselves with the UN Treaty on the Prohibition of Nuclear Weapons. The excluded companies also feature on our public blacklist.

Tobacco, soya and mining

We have adopted a more cautious approach to other sectors too. Our policy towards the tobacco industry, for instance, has been tightened up: from now on, we will no longer provide loans or insurance to manufacturers of or wholesalers in tobacco products and raw materials. Additionally, the policy towards palm oil production has been extended to the production of soya and we have introduced a new policy guideline for mining operations.

Human and animal rights

Our human rights policy was refined and aligned even more closely with UN guidelines for businesses and human rights. In it, we indicate what steps we take to ensure that we do not support businesses that breach human rights. The new declaration on animal rights requires clients of ours who, due to the nature of their operations, might have a negative impact on animal welfare, to act in accordance with prevailing national and international legislation and best practices.

Gambling

The scope of the KBC policy towards gambling was clarified. KBC now excludes funding for businesses with a significant involvement in gambling, including sports betting and online gambling.

How hot will it get in 2050?

Climate change is one of the 21st century's biggest challenges worldwide, and one that affects everyone, young and old alike. Following the Paris Climate Agreement, KBC has committed itself to delivering a relevant contribution to the transition to a low(er)-carbon economy and society. We are pursuing this in three ways: by investing more in renewable energy and less in fossil fuels, by encouraging energy-saving and by reducing our own environmental footprint.

Energy conservation

To make use of our status as a large business, we are not only adapting our own organisation, but also offering our clients plenty of opportunities to contribute to a lower-carbon society themselves. A green loan, renovation loans for joint owners, tailored insurance for solar panels, customised energy advice when renovating, and so on.

Advice for individual clients

Since 2018, we have also been able to offer our individual clients energy-saving renovation advice. We firmly believe in the social importance of this: over 2.7 million private homes still need to be renovated for Belgium to meet its climate targets. The Energy and Renovation Check informs our clients precisely which energy-saving measures would be useful for their homes, what each measure will cost, and how much it can save them per year. We have partnered with EnergyVille/VITO to provide this advice.

Efficiency in businesses

Businesses too consider sustainable and energy-saving measures to be important, but they often lack the time, knowledge and financial means to achieve them. To that end, KBC launched the 'E²PRO' tool – a program for identifying potential energy-saving measures for energy-intensive businesses that have their own premises and which ensures effective audit, study, implementation and follow-up. Our partner Tractebel provides the technical advice, while KBC supplies the financial know-how.

Renovation of apartments

KBC offers a separate renovation loan for joint owners' associations. The loan is intended to meet the complex funding issues associated with sustainable and energy-efficient renovations to apartment buildings. It offers clients a variety of benefits: renovation can begin faster, the value of the property is increased, there is certainty about the amount each owner has to pay and there is the flexibility that each owner can decide for themselves whether or not to participate in the loan. 30–40% of the joint owners avail themselves of the collective loan.

Energy conservation in retirement homes

KBC joined a pilot project in collaboration with our long-term partner PMV, 3E and Piet Colruyt to develop a new form of energy investment, known as an 'ESCo' or Energy Service Company. An ESCo takes over energy-saving investments from other businesses and funds them itself. 3E span off the Wattson business to focus on the energy-efficient renovation of care properties. The energy-saving projects in which KBC was involved in 2016–18 generated a saving of 1 000 tons of CO₂ a year at 12 retirement homes.

Less fossil fuels, more renewable energy

KBC has been scaling back its funding of polluting energy sources for years now. What will we no longer fund? Large-scale biomass operations, oil and gas extraction, power generation from oil and coal, with the exception of tapering operations in the Czech Republic, since coal currently accounts for 40% of electricity production there.

To be absolutely clear, KBC will phase out the funding of the coal sector and coal-fired electricity generation in the Czech Republic too by 2023. The only exception will be for centrally controlled heating systems: funding will still be possible for ecological improvements to existing plants until 2035 at the latest.

KBC is not only ceasing to fund polluting energy companies, we will no longer insure them either. All clients will, however, be offered attractive terms to invest in renewable energy supplies, such as solar and wind power. This reflects the target KBC has set itself of providing 50% of its energy loans to renewable energy by 2030. It currently stands at 43.8%.

KBC already accounts for a significant proportion of the financing of wind energy in Flanders, both on land and offshore. This is enough to deliver electricity to over a million households and a 1.56-million-ton reduction in carbon emissions.

Own footprint

Reducing our own ecological footprint also remains important. How do we go about it?

We use 100% green energy in KBC buildings and are committed to the pursuit of energy efficiency. Since the renovation of our premises in Mechelen, for example, the building is close to energy neutral: energy consumption there has been reduced by 83%.

We also contribute to the transition to a low(er)-carbon society through our personnel policy by reducing commuting and business travel through teleworking and Skype meetings, for instance, by promoting public transport, offering cycle leasing, and giving a green nudge to lease-car drivers (the more environmentally friendly the company car, the bigger the budget).

In the meantime, we have achieved ISO 14001 certification – an important international standard for care of the environment – in all the group's core countries, an achievement of which we are very proud. In the past five years, use of Skype meetings and teleworking has already enabled us to reduce our carbon emissions by 28%. And we remain ambitious: by 2020 we want to emit 25% less greenhouse gases and we aim to halve our emissions at group level by 2030 compared to the level in 2015.

Can investing be ecological?

Socially responsible investment (SRI) has in recent years developed from a niche market to a mainstream segment. KBC has been a pioneer in the field of sustainable investment for almost 30 years. We view it as another powerful tool to help achieve a more sustainable society.

Range of choices

We launched a number of awareness-raising campaigns and e-learning packages for our branch staff in 2017, to ensure that they always offer a sustainable alternative alongside the traditional fund offering, so that clients can make an informed choice. It's important to know that SRI funds are, on average, just as profitable as traditional funds.

We have also decided to expand our product offering, so that not only dynamic but also more defensively minded clients will be able to invest their portfolio sustainably, either wholly or in part.

A sustainable variant is also available for clients who have their investments managed by KBC (via the KBC Easy Invest Service), where our fund managers consciously invest in companies and countries that act in a sustainable and socially responsible way.

Since 2018, our pension-saving clients have also been able to opt for a sustainable allocation. KBC Pricos SRI invests exclusively in securities and money market instruments issued by countries and companies that have a positive influence on our society and the environment.

To help select the companies and countries that perform best on environmental, social and good governance criteria, and to implement the ecological themes in practice, KBC calls on the independent experts making up the SRI Advisory Board.

Vlogs, publications, events and other tools will be used in 2019 to further consolidate the awareness of our relationship managers in the retail and private banking network.



Appetite

Almost one in two clients who have KBC invest assets on their behalf currently opt for the sustainable allocation. Meanwhile, our total portfolio of SRI funds grew from 2.5 billion euros to 9 billion euros between 2016 and 2018.

What's more:

- The KBC-Pensioenfond (which manages the supplementary pensions of KBC staff) has also made the shift towards socially responsible investment.
- To contribute further to the growing problem of climate change, KBC has decided to make all its SRI investment funds 'fossil-free'.



Best-in-class investment funds

invest in businesses or countries that excel at socially responsible enterprise compared to their sector peers and offer the best performance in terms of corporate governance, the environment and social issues.

Ecofunds

invest in companies that make a sustainable contribution to solving a societal problem like climate change, the threat of water shortages and the quest for alternative energy.

Impact Investing funds

invest in companies whose goods and/or services have a direct positive impact on society. We look for businesses whose core activity is not only to pursue financial returns but which also contribute positively to society or the environment.

KBC Pricos SRI (sustainable pension saving)

invests in issuers and companies that score highly in terms of environment, social policy and good corporate governance. Sustainable pension saving embraces the long-term idea of investing with concern for the well-being of future generations.



KBC Green Bond

In 2018, KBC became the first Belgian financial institution to issue a green bond for institutional and professional investors. The KBC Green Bond, for 500 million euros and with a term of five years, was more than three times oversubscribed. The proceeds of this first green issue are being used to fund loans in the area of renewable energy and energy-efficient homes.

The framework that KBC has established will enable us to launch further green bonds in the future, further increasing our contribution to a sustainable society.

How long will we be stuck in traffic?

It's clear now that there are no simple solutions to the mobility issue. There are too many cars, too many accidents and too much congestion. All the same, KBC is convinced that we can make a positive contribution in this area too, by pooling our internal strengths and being open to partnerships (both within and outside our sector). This will enable us to go on innovating together in the future and to develop new, client-oriented solutions.

Multi-mobility

To help achieve this, we launched the KBC Mobility programme in 2016 – a tie-up between KBC Insurance, the breakdown assistance organisation VAB and KBC Autolease. KBC Mobility aims to support the shift towards 'multi-mobility': the car might still be the working Belgian's most popular form of transport, but bikes and public transport are also gaining in importance. How best to combine these different modes of transport?

Olympus Mobility

KBC Autolease's Olympus Mobility app already enables clients to opt for alternative forms of transport such as train, bus, tram, metro, bike and car share, depending on their destination and the time of day. KBC's ambitions go further than this, though. Since October 2018, our clients have been able to use KBC Mobile to buy a ticket for the train easily and immediately and to look up rail timetables in real time. Rather than having to download different apps and then use them alongside each other, KBC Mobile offers the most recent services in a simple and user-friendly way.

Cycle lease

KBC Autolease began to offer cycle as well as car leases in 2017. The initiative has been a success, with the lease fleet now approaching 7 000 cycles. The number has been rising at a rate of 600 to as many as 1 000 cycles a month recently. Cycle leasing is not only a solution to the mobility issue, it also takes account of social and economic aspects. KBC Autolease has agreed a contract, for instance, with the customising firm Ateljee for the repair and resale of the bikes when the cycle lease comes to an end. We're also collaborating closely with local cycle dealers where you can choose your model. Over 200 bike shops are already affiliated and cooperating enthusiastically.

Safety and prevention

The fewer accidents and traffic jams there are, the better, obviously. Above all, however, every accident that is prevented means less human suffering. KBC is convinced of this and therefore has a long-term commitment to prevention. For years now, for instance, we have been using our knowledge of the causes of accidents to help develop public accident prevention campaigns. We also incorporate 'nudges' to encourage prevention in products like Sustainable Fleet Connect.

A safe fleet

The VAB also aims to promote safety and environmentally friendly driving through the KBC Mobility programme. VAB Telematic is a fleet management tool that collects vehicle data and displays it in an app. Data analysis and targeted communication guarantee businesses a more cost-efficient management of their fleet. The VAB's driving school, meanwhile, offers the option of the Sustainable Fleet Connect program, which analyses driving behaviour. Companies can provide their drivers with specific advanced training with a view to reducing the risk of accidents and fuel consumption.

And if an accident still happens?

If, despite this, an accident still occurs, KBC Assist is there to help. The app allows you to report a road accident, damage, breakdown or hospital admission quickly and digitally. KBC will take care of all the red tape behind the scenes to try to relieve those affected from any practical worries.

When a serious accident occurs, the after-effects can continue for some considerable time. To help reduce that period, we provide a team of external psychologists, while our own claims experts offer home visits to both the victims of accidents and the people who caused them.

What will jobs look like tomorrow?

How will the economy, and particularly the job market, change? Will everyone become a freelancer? Will we all be employed in the sharing economy? Or will digitalisation, artificial intelligence and robotisation take everything over?

Jobs will disappear, new jobs will arise. And some will simply rethink their own job.

Entrepreneurship

Fancy setting up your own business and becoming your own boss? More and more Belgians do. The number of start-ups in Belgium was 28.28% higher in 2017 than it was in 2007. That's something KBC has contributed to.

Start-ups

We launched Start it @KBC in 2013 – an accelerator that provides start-ups with accommodation and above all with support and advice, so they can allow their idea to grow sustainably into a successful business model. Our focus in 2018 was on female entrepreneurs, corporate ventures and internationalisation. We collaborate to this end with partners like Accenture, Cronos Groep and imec. In the meantime, we've already supported 610 start-ups, of which 450 are currently active. That makes us the largest accelerator in Flanders and Brussels. The Start-it programme has also been rolled out successfully in Hungary and the Czech Republic as Start it @K&H and Start it @ČSOB.

Business succession

It's not just starting a business that can be a headache, the same goes for its eventual transfer. This is another aspect where we want to help our entrepreneur clients. KBC Match'it is a digital matching platform, where Belgian buyers and sellers can exchange information and begin negotiations totally discreetly. The Match'it programme too was adopted in 2018 for business clients of ČSOB in Slovakia.

Entrepreneurs in the Global South

Microfinance institutions in the Global South provide opportunities to small businesspeople like farmers, artisans and traders. Tailored loans, insurance, savings products and training help them to build their businesses. KBC offers a unique 'colleague to colleague' concept to bolster these institutions. It does so through cooperation with its development organisation BRS and in partnership with Cera. (www.brs.coop)

Employability

It's important for KBC as an organisation to be highly resilient, which means the pace of change is high. As an employer, meanwhile, KBC wants to offer its employees sustainable employability. How do you reconcile those two imperatives? How does KBC ensure that its employees are ready to face the future?

Keep growing

KBC encourages its employees to develop an insight into their talents and skills. To build experience more quickly and widely. To be able to take on new projects or jobs. To continue training and to look beyond their current position. In short, to develop continuously and to keep growing. That's also why we launched the new HR policy 'It pays to progress' in 2018.

Keep working

KBC continues to offer its Minerva Plan for the over-55s. We invite our older employees to think about how they want to spend the final years of their working lives. Over 80% opt to continue their current active career, while a minority prefer a lighter or less active package. What makes this plan unique is the possibility of pursuing a late-career stage outside the existing company.

Keep a balance

We promote a good work-life balance at KBC and offer plenty of opportunities for part-time working. It's important to us that our employees feel good in themselves so that they can give their best every day and take pleasure in what they do. Our well-being campaigns focus on four areas: Move, Live, Work and Eat. We offer sport and exercise opportunities in our buildings, seek to identify stress factors quickly and offer proactive support, and we encourage our employees to eat healthily.

Will everything soon be virtual?

It's no longer possible to imagine a non-digital world. Clients nowadays expect faster responses, longer opening hours and a more personal offering than before. And digitalisation does indeed make that possible. But personal contact remains important. We're very good at both at KBC. To meet our clients' expectations, we've increased our availability. We want to be there for our clients all the time.

Digital channels

That's why KBC will continue to develop its digital channels KBC Touch (on PC or tablet) and KBC Mobile (tablet and smartphone). And why KBC Live also enables clients to chat with or call (including video calls) a member of staff until ten in the evening. At the same time, though, KBC will continue to develop the expertise of its branch and agency staff. Because our principle is that clients should always be able to choose how they contact us.

The current trend is for clients to deal with us digitally more and more frequently and for the number of branch visits to fall. KBC therefore took the decision in 2018 to convert branches at 66 locations to unstaffed facilities, where clients can continue to perform the majority of their everyday transactions via user-friendly terminals. At eight locations, the bank branch will merge fully with a nearby branch and so disappear from the existing location. This will enable us to meet our clients' demand for more expertise, a full offering of products and services at all bank branches and remote expertise.

Digital lessons

Although digitalisation has become firmly embedded in our society, it's still not a part of everyone's life. Digital literacy is therefore a societal challenge to which KBC certainly wants to contribute. Clients who aren't yet at home in the digital world can get free lessons on how to use smartphones and tablets. KBC also organises 'Digital Tuesdays' once a month at each cluster on the use of KBC Touch and KBC Mobile. The challenge is not only to help clients get to grips with digitalisation, but also for them to learn to trust the technology. In the meantime, over 15 000 clients have already taken advantage of our free info sessions.

Welcome

At your KBC branch

You can count on experts who will be happy to help you personally with all your questions about our banking and insurance services.

At your insurance agency

Your insurance agent helps you protect the things that are precious to you. If things go wrong and you need to call on your insurance, we'll settle your claim quickly.

Through our digital channels: 24/7



KBC Mobile

Our convenient app for banking on your mobile is much more than that. It also lets you buy bus and train tickets and pay for parking. Do it all and more with our all-in-one app today!



KBC Touch

Quickly manage your banking and insurance with ease on your computer and tablet.



KBC Assist

Make an accident, damage, theft or hospitalisation insurance claim on your phone with our Assist app.



KBCLive

Our opening hours don't suit or you're unable to drop by? Call our experts on 078 353 137 for a video chat appointment. They're there for you from 8 a.m. to 10 p.m. on weekdays and 9 a.m. to 5 p.m. on Saturdays.

Find out more at www.kbc.be/live.

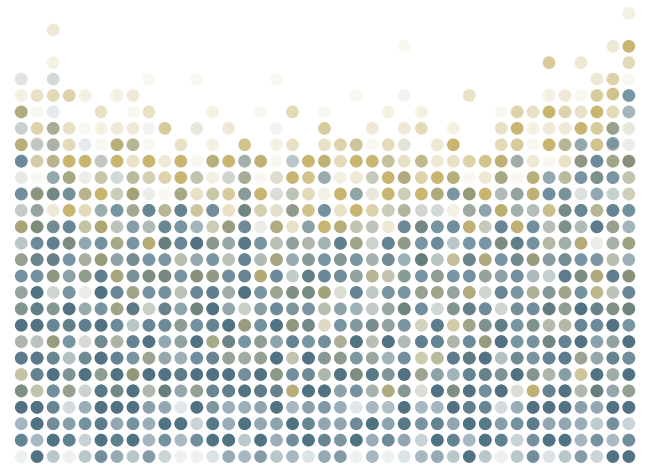
At KBC self-service terminals

Withdraw or deposit cash and carry out other transactions from 6 a.m. to 11 p.m. at our ATMs.

What will the future bring?

Are chatbots and virtual reality glasses still just a gimmick right now? We're working together right across the KBC group on innovative solutions. Our clients were recently given the possibility of using speech technology to do their banking. At KBC's Virtual Space, meanwhile, you'll soon be able to experience products, services and support in an entirely different way and in 3D!





84% of our Belgian clients want information tailored to them.

Is privacy an outmoded concept?

Big data has become a key element of our society. Information is coveted but it can also be misused. Think of all the incidents involving data privacy that have attracted so much media attention in the past year. To avoid misunderstandings and to guarantee uniformity, the European authorities introduced the General Data Protection Regulation. The central idea behind the GDPR is that every consumer should be able to decide which of their data can be used for what purpose. This offers benefits to our clients too, such as enhanced service, fraud protection and a clearer insight into their financial situation and planning.

Employee awareness

KBC has made the necessary arrangements to comply with the General Data Protection Regulation (GDPR). We hold a great deal of personal information about our clients, such as their names, addresses and phone numbers, but also specific data like bank details, purchasing behaviour, family situation and assets.

Responsibility for data protection at KBC is not just a matter for specialist services like information risk management: every employee has taken an e-learning course on data storage and the protection of personal details and privacy. We're also fully committed to specific and extensive training for target groups like insurance agents and relationship managers.

Client awareness

We want to enhance our clients' awareness of privacy too. They're kept actively informed about the use of their data and we communicate with them openly and honestly, so they can take control over their privacy. The customised information concept means clients themselves get to decide whether we can continue to inform them about offers and solutions tailored to their circumstances. So far 1.5 million clients have already expressed a clear choice. The result? 84% of our Belgian clients do indeed want to receive tailored information.

KBC attaches a great deal of importance to our clients' trust. Protecting their information and using it only in the way they expect of us is crucially important and will remain so in the future.

Does everyone know how family insurance works?

A financially literate society is necessary, not only to understand banking and insurance products, but also for households to manage their budget and spending in a judicious and healthy manner. For some years now, handling money as well as financial education and literacy have been incorporated in the final attainment criteria of Belgian schools.



Financial education

Get-a-Teacher

KBC wants to support schools, and to this end it has developed the 'Get-a-Teacher' programme, which lets schools 'order' a teacher from KBC. The teacher in question is a KBC employee who has been selected and trained for the role. In each two-hour lesson, the teacher covers a variety of topics in a non-commercial way relating to payments, saving and investment, borrowing, insurance and related themes. Our goal is to provide young people with an understanding of their personal financial situation in particular and the financial world in general. KBC offers a package for final-year secondary pupils in the economics and business streams, with the title 'Business is Exciting: Starting Your Own Business'. We recently launched the 'Budget management' and 'How to become your own boss?' packages too.

Social projects

Our colleagues in the other core markets have also taken a number of financial education initiatives, including placement programmes, seminars, digital learning packages and master's programmes.

In 1995, ČSOB in the Czech Republic set up the Education Fund with the Olga Havel Foundation. Secondary and higher education students who can't afford to study, or who are prevented from doing so by ill health, can apply to the Fund for financial assistance. The number of bursaries provided in this way came to 585 in 2018. A further 572 students received a one-off contribution towards college fees or study materials.



Communication

The total financial support offered by the project amounts to 32.4 million Czech koruna.

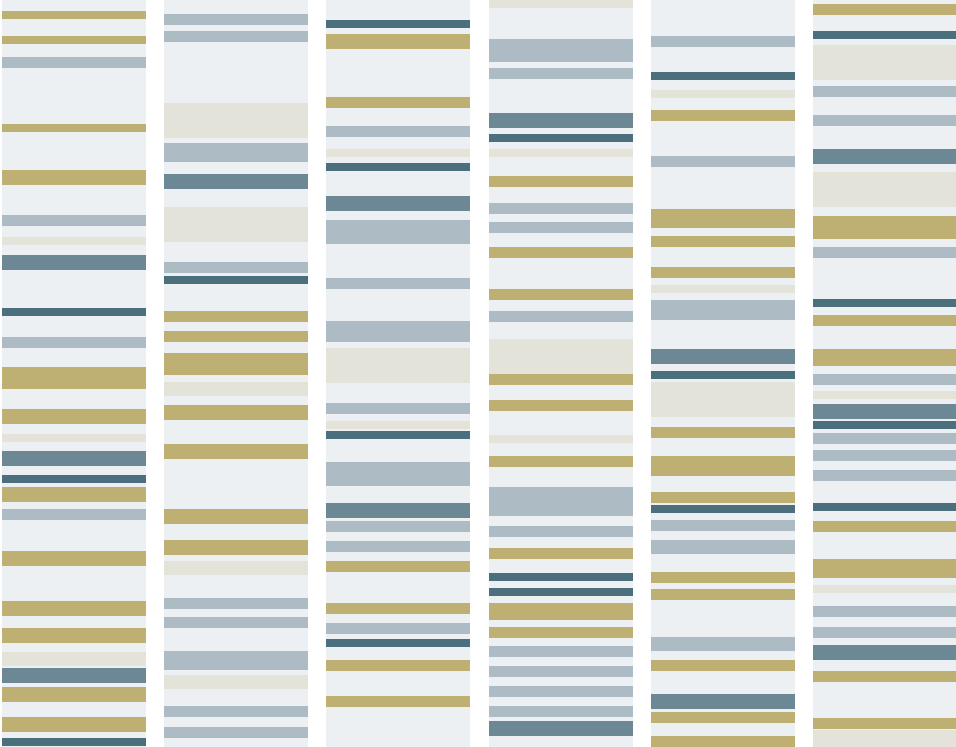
K&H Ready, Steady, Money is a financial education programme and contest for primary and secondary school pupils. It was organised for the eighth time in 2018. K&H Hungary aims in this way to encourage children and teenagers to discover the basic principles of household budgeting. Since the programme was launched, it has reached 38 000 pupils and 2 000 teachers at 1 100 schools. K&H also organises a 'European Money Week' for schools.

KBC expects employees to communicate in an accessible, clear, understandable and transparent way with our clients. Which is not easy given the duties imposed on us by the legislator, such as sending out letters on risks, costs and fees. In 2017, we launched a large-scale project to simplify and improve our client communication. We continued that work in 2018 and focused on reducing, simplifying and digitalising our communication on transactions. We also provide our commercial staff with constant training to ensure that they pay sufficient attention to evaluating the risks associated with the different products and services.

What about when we get old?

On average, people are living longer and in good health, but the 'average' obviously doesn't tell you anything about individual differences. What's more, a new generation of elderly people calls for a tailored policy with customised products and services. And those needs aren't one-size-fits-all either. There's plenty to think about then, which is precisely what we do at KBC. About 22% of our clients are aged over 65 and that percentage is certain to rise.

We are creating products, services and projects in several of our core countries that are designed to improve health, health care and quality of life. Because life can be vulnerable even before we get old.



Products and services

Living at home

Happy@Home was our response once again in 2018 to the need to help elderly people keep living at home as long as possible and busy families to achieve a healthy work-life balance. Happy@Home made it easy to call in professional assistance for a range of tasks like cleaning, help in the home and the garden, and odd jobs. The project has been thoroughly reviewed in the meantime and adapted to the digital and other requirements of our clients. Since March 2019, KBC has offered the ability to order and pay for Sodexo service cheques directly via the KBC Mobile app. KBC is also working with partners to explore the possibility of offering other products and services that respond to the needs of elderly people.

Social profit sector

KBC advises and guides social profit institutions and local government in areas like payments, asset management and financing solutions. The relationship manager offers a proactive and solution-oriented approach and acts as an expert in the various fields. Last year, KBC Belgium invested over 2 billion euros in hospitals and 1.2 billion euros in retirement and care homes.



Social projects

We are also committed to a range of social projects in the field of health care.

Our first joint Team Blue initiative was organised in 2018, with 25 000 employees from across the KBC group taking part in a major sporting fund-raising campaign. Together with colleagues, friends and relatives, Team Blue members ran, cycled and rowed a total of 770 867 kilometers – the distance to the moon and back. In the process, we managed to raise half a million euros, which was shared amongst 87 projects suggested by colleagues in six countries.

The donations in Belgium were handed over during the 'Warmest Week' charity event. Also in Belgium, KBC has been a partner for many years of 'Kom op tegen Kanker', an anti-cancer organisation that campaigns for the right of patients to the best care and treatment, and to a healthy living environment. The organisation's campaigns vary widely, from selling plants to 'cycling against cancer' and the TV show 'All Against Cancer', for which 175 employees volunteered in 2018.

K&H has supported the 'K&H MediMagic Programme' for 15 years, providing financial and material help. In that period, a total of 646 million Hungarian forints has been spent on equipment used to treat more than 400 000 patients. There is also a particular focus on the treatment of children. 'K&H MediMagic Storytelling' provides psychological support for young patients as they convalesce in hospital or at home.

KBC Bank Ireland, meanwhile, collaborates with WellFest, the country's largest health and wellness festival, to inspire people and provide information on food, fitness and mental well-being. In 2018, the two-day festival drew almost 5 000 visitors a day.

UBB and DZI Insurance also support social projects geared towards general health and sport. In September and October 2018, the 'DZI Velo' event was held in three Bulgarian cities. Over 700 professional and amateur cyclists took part in the race.

We live in a society in which the population varies widely. The same differences are visible in the workplace too, at all levels and in every type of job within a business. This is true of KBC as well, where we aim to value people for who they are, for their qualities and their talents. Employees must feel at home, regardless of their gender, age, nationality, religion, ethnic background or sexual orientation. We promote diversity awareness internally among our employees by organising activities such as lectures by guest speakers, discussion forums, training courses and workshops.



Is everybody diverse?

Gender

Diversity is important to KBC and we work hard to achieve it. By actively pursuing gender diversity, KBC seeks to ensure a good balance between men and women in every type of job.

The male-female ratio within the KBC group at year-end 2018 was 43:57 in the workplace and 80:20 for senior management positions.

The challenge facing KBC remains the achievement of a good gender balance across the group and in all functions.

KBC is also a company where sexual orientation is not an issue. Everyone can be themselves in the workplace too.

Nationality

KBC does business across international borders, which means people of different nationalities have to be able to work together. Colleagues speak different languages and have different cultures. It's incredibly important for our employees themselves and for KBC as an organisation that we can all collaborate with colleagues of different nationalities. We're convinced that a broader view of society has a positive impact on our flexibility and adaptability and ensures that we can understand our clients better. The same goes for every level of our business, from bottom to top.

Age

We offered 152 internships in Belgium in 2018, and 43% of our vacancies group-wide were filled by people under the age of 30. In this way, we aim to increase opportunities at work for young people and believe that a continuous inflow of young talent contributes to an inclusive and balanced workforce. Our Minerva Plan, meanwhile, is offered to employees aged over 55 (see page 25).

Dreaming of tomorrow



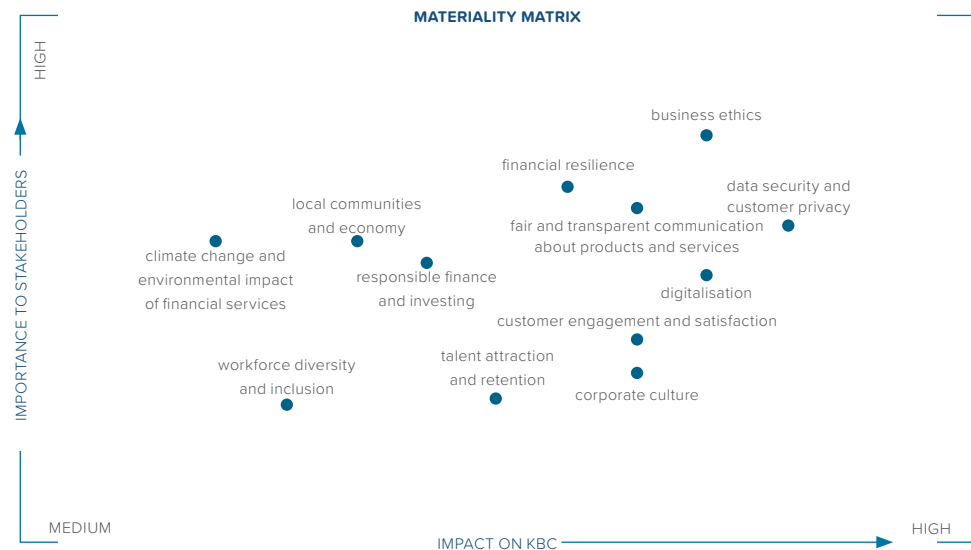


What do our stakeholders think about KBC? Do our clients feel they come first? These are things we constantly research.

How does KBC give its stakeholders a voice?

We can only fully live up to KBC's importance in society if we maintain a dialogue with our stakeholders: our clients, our employees, our investors and our suppliers, but also governments, NGOs and representatives of society.

We maintain regular contact at various levels with a diverse group of stakeholders. In this way, we broaden our view of the world and also keep abreast of what's important to the different groups. At the same time, we can inform our stakeholders of what's going on at KBC. It's the ideal fuel for our strategy and business operations.





Research

Following on from the materiality analysis in 2016, we took a close look again in 2018 at which themes our internal and external stakeholders consider the most important, what priority they place on them and how much the themes can impact KBC's performance and reputation. The themes were set out in a matrix ranked by their importance to stakeholders and their impact on KBC.

The study shows what the most relevant themes are for KBC in the field of sustainability.

Business ethics

Trustworthiness and trust. Fair, transparent and moral conduct: Compliance with laws and regulations, fiduciary duty, code of conduct, responsible behaviour at all layers of the organisation.

Financial resilience

Honouring (long-term) commitments towards all stakeholders and resistance to economic shocks, by appropriate and sustained financial performance and strict risk management.

Fair and transparent communication about products and services

Transparent and client-driven communication in selling products and services. Contribution to financial literacy via financial education.

Data security and customer privacy

Stable and secure IT systems resilient to outside attacks and strict privacy rules regarding client data.



Dialogue

Thomas Leysen (Chairman of the Board of Directors), Johan Thijs (KBC Group CEO) and Vic Van de Moortel (KBC Group Sustainability Director) presented our sustainability approach and initiatives at the annual dialogue with our external stakeholders regarding sustainability at KBC. Our partners were invited to share their ideas, suggestions and critique about the social role of financial institutions and the way in which KBC addresses that role.

We also asked our employees to participate actively in our first internal stakeholder dialogue. In doing so, we aim to promote debate with our staff regarding social themes and to engage their creativity in order to come up together with solutions that will make our story stronger, both inside and outside KBC.

At the same time, we pursue regular, direct dialogue with NGOs to determine where and how KBC can contribute to solving society's problems. In 2018, KBC's investment policy towards fossil fuels in the Czech Republic became a focus of public debate due to the Greenpeace protest campaign. Publication of our updated policy guidelines on sustainability, and more specifically KBC's policy on coal, was brought forward in response. We also maintain strategic partnerships with NGOs like Close the Gap.



Clients

We place our clients at the centre of what we do and aim to meet their needs and requirements, now and in the future. But we can only put this strategy into practice if we have the right information. Which is why we constantly listen to our clients and gather information on their experiences and needs that we can use to improve our services.

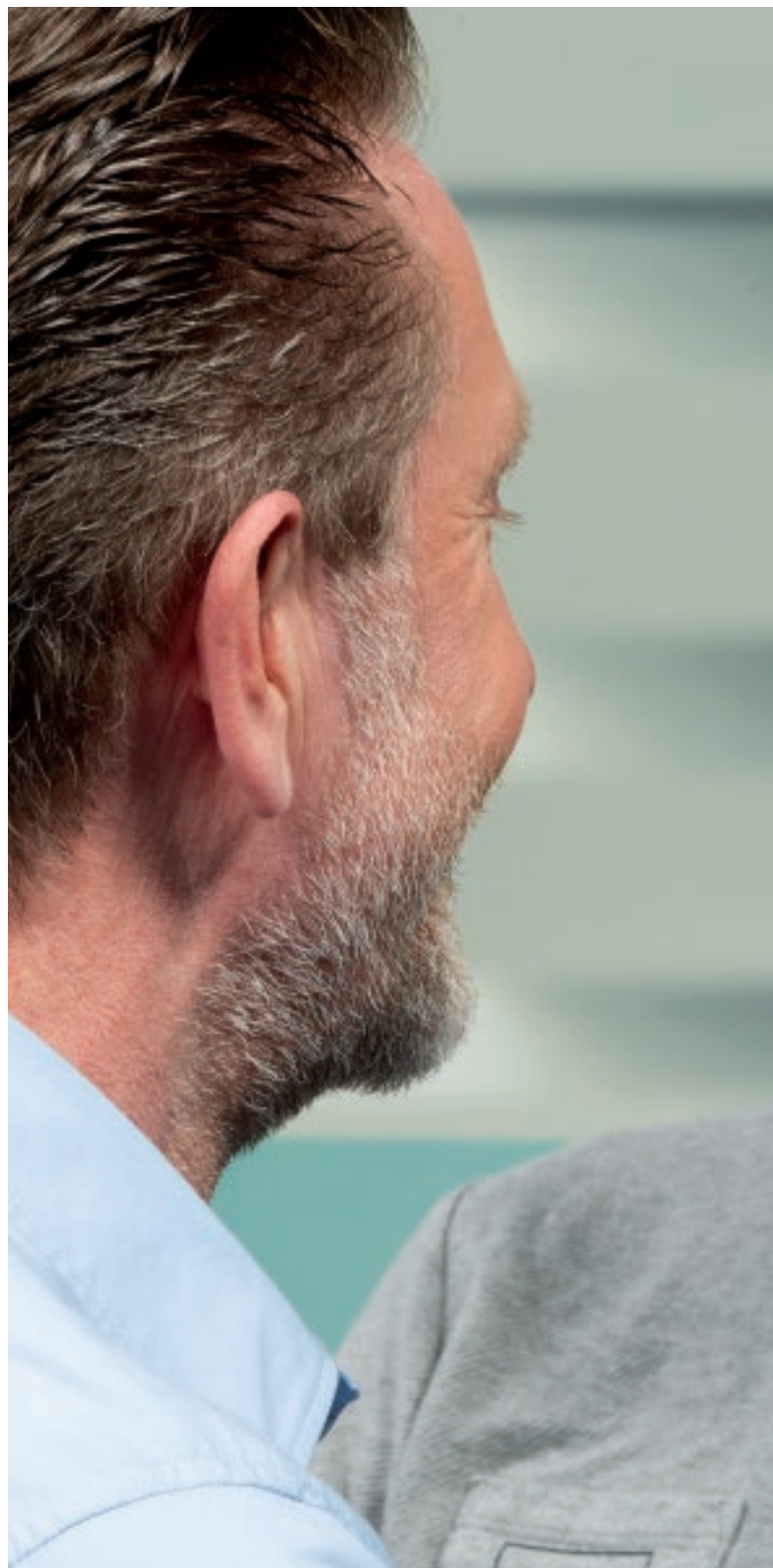
Client satisfaction, for instance, is measured annually via the Net Promoter Score (the extent to which clients would recommend KBC services to non-clients).

We are seeing a measurable increase in NPS scores for Belgium (with the exception of SMEs in Flanders) at KBC, CBC Banque and KBC Brussels, with client satisfaction levels among the best in the market. Our clients' views are taken into account when launching new products and processes.

Seeking their feedback on our innovations tells us where we still need to adjust. But we also like to have our clients on board as we develop those products. To this end, we organise 'usability labs', for instance, at which our clients test new processes and functionality during a concept phase and where we can track in real-time where they might run into difficulty.

In this way, our clients are actively involved in our day-to-day operations. And we want to give our clients an even more central place in our business, even closer to our staff. Hence our new Customer Corner – a client survey and testing space in our own buildings. The Customer Corner has all the necessary facilities to carry out both group and individual discussions with our clients.

It's also important, however, to look beyond our own business and to be aware of what's happening and developing in our society. What are the most recent consumer trends within and beyond our sector, and how can we learn about them? The insights we gain in this way are vital if we are to continue to grow in line with our clients and community.





Personnel

Every two years, the Group Employee Survey gauges the involvement of the KBC group's 42 000 employees and their pride in the KBC brand. This broadly based survey was carried out in 2017, with 91% of our Belgian staff taking part in the research.

The engagement rating for KBC Belgium was 57%, placing us 4% above the average score of other Belgian organisations.

We found that our employees are mainly satisfied with the content of their job. They feel that it forms a good fit with their own personal qualities and experiences. The work is fulfilling and staff take pleasure in their everyday activities.

We also score well on empowerment and autonomy. Our employees appreciate the fact that they can decide for themselves how to go about their work, that they can take the necessary decisions to do their job optimally and that their personal opinion and ideas count. We also face many challenges, obviously, including in the area of career opportunities, into which our employees would like more insight.

The survey further indicated that our pride in the KBC brand has risen 9% compared to 2016.

KBC also earned the right, lastly, to call itself a 'Great Place to Work' for the thirteenth time in a row, recognising our good employment practices and human-oriented business culture. The research in question is carried out annually by Vlerick in cooperation with the Great Place to Work Institute Belgium and Jobat/Mark Magazine.

How do we track our sustainability performance?

KBC wants to make a long-term commitment to sustainability and has opted for bottom to top engagement. This means that sustainability is also a focus for the highest decision-making levels. That sustainability is widely integrated at every level of our organisation. And that sustainability is part of our DNA.

The implementation and tracking of our sustainability strategy is evaluated twice a year by the Executive Committee and Board of Directors. Measurable and controllable parameters have been drawn up to guarantee an objective assessment. We track our sustainability performance based on four general parameters and thirteen parameters linked to the four pillars of KBC's business strategy.

The four general parameters

- KBC's reputation
- Employee satisfaction and engagement
- Any incidents relating to responsible behaviour
- Professional advancement of women

The 13 parameters linked to the 4 pillars of KBC's business strategy



Bank-insurer

- Financing the transition to a low-carbon economy
- Proportion of SRI investments
- Internal administrative bodies relating to sustainable business
- Development of innovative business solutions in our four focus areas



Role in society

- Monitoring and possibly amending our strict policies
- Evolution of sustainability assessments by external rating agencies
- Quality of our consultation of the different stakeholders
- Achievement of our target to reduce our own environmental footprint



Placing the client at the centre

- Client satisfaction
- Degree to which our clients recommend KBC to others



Sustainable and profitable growth

- Long-term value creation
- Respecting risk limits
- Volatility of KBC shares

What challenges do we face tomorrow?



Pursuit of the right talent and investing in our talented employees



Further optimising the user experience of our clients



Ongoing identification of climate risks and implementation of the recommendations of the Taskforce on Climate-related Financial Disclosures and the EU Action Plan on Sustainable Finance



Retaining and consolidating our stakeholders' trust



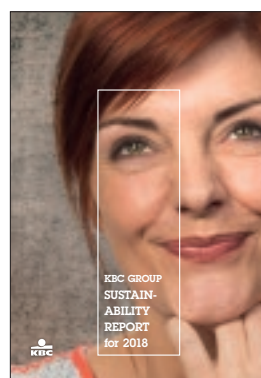
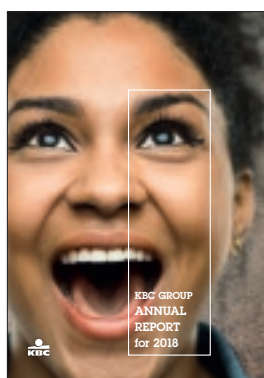
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