

# Report to Society for 2012



# WHO ARE WE?

A bank-insurer that focuses on catering for the needs of individuals, SMEs and larger companies in Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland.

# WHAT DO WE WANT?

To build a long-lasting relationship with our clients, to create a stimulating working environment for our staff, to deliver lasting value for our shareholders and to contribute positively to the environment and society.

# WHAT IS THE PURPOSE OF THIS REPORT?

At KBC, we firmly believe that as an independent bank-insurer we should play a major role in today's society while taking into account the interests of future generations. To play this role to the full, it is important to be transparent and to enter into an exchange of views with society.



Without our clients, we would have no reason to exist. So we would like to take this opportunity once again to thank all our clients, existing or new, for their confidence in our group.

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*Thomas Leysen and Johan Thijs*



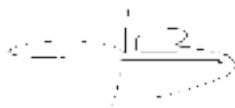
Dear Reader,

Encouraged by the positive, constructive response from many people to our first *Report to Society*, we are pleased to publish this second edition. We hope this report will again provide clear answers to some of the issues raised by society and the media and that the information provided will serve as a good starting point for dialogue with all our stakeholders.

Much has happened at KBC since the beginning of 2012:

- The process of refocusing on our core business as a bank-insurer for individuals, SMEs and larger companies in our core markets is virtually complete. We have achieved significant progress in scaling down the riskier activities and international merchant banking, and can now safely say that the 'new' KBC is taking definite shape.
- Our profitability improved, despite the crisis in the euro area and difficult market conditions, which were certainly still evident in the first half of the year. This profitability is also necessary to safeguard our independence and solid base and to stand us in good stead to return to offering our shareholders a normal level of return.
- We carried out a capital increase for 1.6 billion euros in December 2012, so returning KBC to its place as one of the best capitalised and most sound bank-insurers in Europe. This greatly enhanced our international prestige.
- We made an accelerated repayment of 3.5 billion euros to the Belgian Federal Government. It is now becoming clear that not only will KBC repay all its debt to the government within the agreed deadlines, but that the government (and hence taxpayers) will see a good return on the loans provided. In addition to the principal amount owed, we will also pay more than 6 billion euros in interest, penalties and fees to the Belgian Federal and Flemish Regional governments.
- We adjusted our organisational structure and made new aspects central to our corporate culture. Our guiding principle here is to become more client-focused and respond more closely to local needs, while at the same time setting a clear framework for accountability.
- Lastly, we maintained our tradition of respectful dialogue with our social partners and we remain convinced that the requisite changes in our organisation can be made without any major restructuring. The ongoing motivation and dedication of our staff played a decisive role in KBC's recovery after the financial crisis.

We are therefore working hard on achieving the 'new' KBC: client-focused in all areas, more enduring and strongly rooted in the local community. We are fully aware that there is still much to be done to fully achieve this goal and to have this recognised. That is why we wish to enter into a two-way exchange with the other parties in society. This report will hopefully mark another step in that direction.



Johan Thijs  
President of the Executive Committee



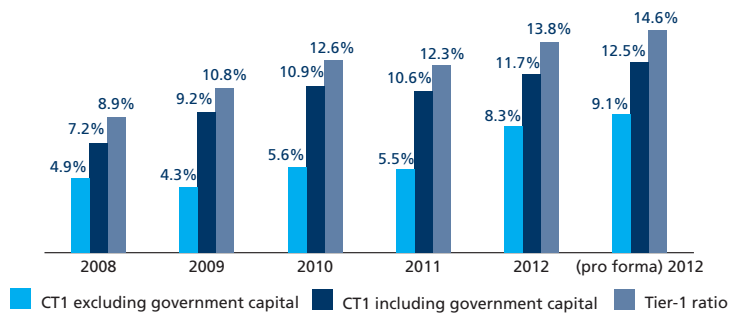
Thomas Leysen  
Chairman of the Board of Directors

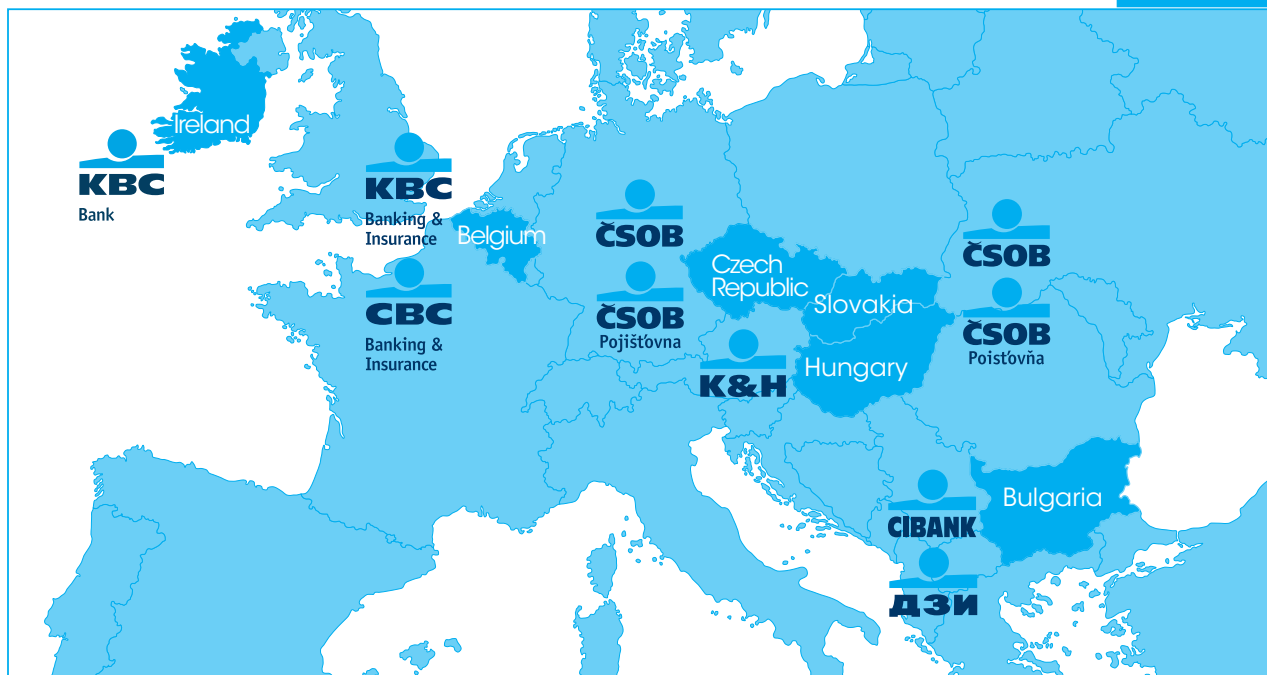
# [ About KBC

As a bank-insurer, our prime objective is to build lasting relations with clients in each of our core markets. In order to achieve this, it is important that we understand our clients, listen to what they say and respond proactively. Relationship-based bank-insurance therefore implies offering products and services tailored to local requirements. As a result, KBC is firmly rooted in the local economies and a genuine part of the social and economic fabric.

We learned lessons from the financial crisis and are conscious of our responsibility toward society. Our goals are therefore not purely focused on financial targets (such as capital, net profit and liquidity) but also on value for all our stakeholders. It is our passion to become the reference of what makes a quality bank-insurer for our staff, our clients, our shareholders and society.

KBC's capital base





## KBC in a nutshell

- We are an integrated bank-insurer: our banking and insurance products and services are optimally geared to one another and they are offered through a single network.
- Our focus is on individuals, small and medium-sized enterprises (SMEs) and larger companies.
- We operate mainly in Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland. Our group is large enough in Belgium and the Czech Republic to justify these two core markets comprising separate business units.
- Our product developers and service providers always focus on local requirements, but work together internationally when appropriate.
- We use the capital available within an overall conservative risk profile.
- Our new organisational structure fosters a proactive approach to client needs, quick decision-making and versatility.
- Our group culture encourages enterprise, respect, a focus on performance and individual accountability.

## KBC group key figures (as at 31 December 2012)

Number of clients (estimates for Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria)	9 million
Staff (in full-time equivalents, excluding staff of companies yet to be divested)	37 083
Number of bank branches in Belgium	833
Number of bank branches in the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland	805
Insurance network in Belgium	481 (tied agencies)
Insurance network in the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland	Various distribution channels
Loans and advances to clients	128 billion euros
Total loans to individuals and companies	160 billion euros

# WHAT WERE OUR RESULTS IN 2012?

In spite of the difficult economic and financial conditions and the uncertainty about Europe and the euro, the KBC group ended 2012 with a profit of 612 million euros. That represents the 'accounting' profit. Disregarding extraordinary items, our underlying profit (i.e. on day-to-day business) came to 1.542 billion euros, resulting in a return on equity of 9.65%.

## Day-to-day operations: the underlying result

Our banking and insurance businesses both had a good year, with the underlying profit up by half a billion euros. This improvement was evident in virtually all our day-to-day activities: sales of insurance products, lending and investment products, good results in the dealing room, lower write-downs on loans and sound technical results.

However, our net interest income fell in 2012 as a result of lower interest rates and the reduction in recent years of our exposure to high-yield products such as Spanish and Italian government bonds.

## We have strong buffers

We improved our already strong liquidity position with a loan-to-deposit ratio of 78% at the end of December, and decided to repay 8.3 billion euros borrowed from the European Central Bank under the long-term refinancing operations (LTROs). This was possible because we have a strong deposit base with individuals and businesses in our core markets and we have already gone a long way towards covering our funding requirements for 2013.

As a result, our tier-1 capital ratio settled at 13.8% in the fourth quarter of 2012. If we take into account the sale of our shareholdings in Bank Zachodni WBK in Poland and Nova Ljubljanska banka in Slovenia and of Absolut Bank, our Russian banking subsidiary, this ratio came to as much as 14.6%.

Our common equity ratio according to the new Basel III rules was 10.8% at the end of 2012 (fully loaded, i.e. assuming that the Basel III rules were already fully in force). That is well above our target of maintaining this ratio at 10% (fully loaded) as from 1 January 2013.



## We are setting new boundaries

We unveiled our new group strategy at the beginning of October. This entails being a bank-insurer that focuses on its clients in their local market. We aim to be a slimmer, versatile bank-insurer with a clear focus on the real, local economy. The structure has been adapted accordingly as from 1 January 2013.

## Looking back with satisfaction

We can therefore look back at 2012 with satisfaction. Our existing clients remained loyal and we attracted new clients, our staff performed well yet again, we succeeded in repaying part of our debt to the government and we will pay a dividend to our shareholders in 2013.

Taking account of the penalty of 525 million euros paid to the Belgian Federal Government and the coupon of 595 million euros paid for the core capital securities sold to the Belgian Federal and Flemish Regional governments, our reported earnings per share came to a negative 1.09 euros. However, given our robust solvency position, as reflected in a tier-1 capital ratio of 13.8%, we will propose to the General Meeting of Shareholders that a dividend of 1 euro per share be paid this year.

We will not be paying a dividend next year and nor, therefore, a coupon to the Flemish Regional Government. When all the components are taken into account, the total return on the financial support provided by the Flemish Region will still be well above 10% per year. We are aiming to make an accelerated repayment of 1 167 million euros in state aid (plus a penalty of 583 million euros) to the Flemish Regional Government in the first half of 2013, provided the National Bank of Belgium grants its approval.

# HOW MUCH TAX DID WE PAY IN 2012?

## Income tax

As a profitable business, KBC pays tax in the countries in which it operates. We duly pay all income tax, VAT and other taxes on time and in accordance with the legislation applying locally. The interest and penalties that we pay on the state aid are not tax-deductible.

*Summary (in millions of euros) of taxes paid by KBC's main companies in 2012.*

## Tax paid by KBC

	Income tax	VAT that cannot be claimed back and other miscellaneous taxes	Bank taxes	Total
Belgium <sup>1</sup>	244.84	91.06	235.50	571.40
Czech Republic	65.74	42.14	-	107.88
Hungary	20.39	24.91	53.71	99.01
Slovakia	11.84	17.42	17.48	46.74
Bulgaria	0.27	1.95	-	2.22
Ireland	-	6.23	-	6.23
<b>Total</b>	<b>343.08</b>	<b>183.71</b>	<b>306.69</b>	<b>833.48</b>

<sup>1</sup> The bank tax in Belgium was partially offset in 2012 by a one-off refund of amounts previously paid to the Deposit Guarantee Fund, in an amount of 101.64 million euros.

All in all, KBC thus actually paid 343 million euros in income tax and 184 million euros in VAT that cannot be claimed back and other miscellaneous taxes. In addition to income tax, three of the countries in which KBC operates have introduced special bank taxes. This means that a levy is imposed on certain balance-sheet items of banks and insurance companies, regardless of the income they generate in the country concerned. We paid a total of 307 million euros in bank taxes in 2012.



**Dag Wyntin – Tax General Manager, KBC Group**

*'It is KBC's firm intention to act as a responsible taxpayer by duly fulfilling all its tax obligations on time and by implementing tax plans that are driven first and foremost by valid business purposes. There is no place in KBC for aggressive tax operations, brass plate companies or investments in tax havens!'*

<sup>1</sup> KBC Bank still owns a number of companies in a tax haven that are part of the legacy from KBC Financial Products, but there is no taxable profit. KBC Bank is examining further how and when these companies can be wound down quickly.

Summary (in millions of euros) of taxes KBC collected from its staff and clients in its core markets in 2012.

**Tax collected by KBC**

	<b>Social security charges and payroll withholding tax on staff salaries</b>	<b>Withholding tax and other taxes collected from clients</b>	<b>Total</b>
Belgium	723.68	516.09	1 239.77
Czech Republic	101.36	34.28	135.64
Hungary	45.05	30.62	75.67
Slovakia	27.24	7.10	34.34
Bulgaria	6.49	1.58	8.07
Ireland	17.93	10.56	28.49
<b>Total</b>	<b>921.75</b>	<b>600.23</b>	<b>1 521.98</b>

As well as the tax payable by KBC itself, we also collect certain taxes and duties on our clients' income (such as withholding tax, stock-market tax and tax on insurance premiums) and on the salaries we pay to our staff (payroll withholding tax and social security contributions), on behalf of the tax authorities and in accordance with the legislation in force in the countries where we operate.

# HOW MUCH OF OUR DEBT TO THE GOVERNMENT HAVE WE REPAID AND WHEN WILL THE REST BE REPAID?

KBC's survival as an independent financial group during the severe financial crisis of recent years is due to a large extent to the aid received in various phases from the Belgian Federal and Flemish Regional governments. Through loans totalling 7 billion euros – with each government contributing 3.5 billion euros – they helped ensure that KBC could have the sound capital base required.

## Repayment

We are very grateful to the Belgian Federal and Flemish Regional governments and, therefore, to Belgian taxpayers for their support.

The table below shows all the amounts paid by KBC to both governments from the start of the crisis until the end of December 2012, as well as the payments scheduled for the first half of 2013. These are cash payments; the date given may differ from the date processed in the accounts or in capital.

(In euros)	2009	2010	2011	2012	Total 2009-2012	Projection 2013	Estimation 2014-2020
Belgian Federal Govt				3 500 000 000	3 500 000 000	0	0
Flemish Regional Govt				0	0	1 166 666 667	2 333 333 333
Penalty				525 000 000	525 000 000	583 333 334	1 166 666 667
Federal Govt coupon			297 500 000	297 500 000	595 000 000	246 000 000	0
Regional Govt coupon			297 500 000	297 500 000	595 000 000	297 500 000	1 041 250 000 <sup>1</sup>
Sub-total			595 000 000	4 620 000 000	5 215 000 000	2 293 500 001	4 541 250 000
CDO guarantee fee	170 369 920	340 739 840	340 739 840	340 739 840	1 192 589 440	340 739 840	511 109 760
<b>Total</b>					<b>6 407 589 440</b>	<b>2 634 239 841</b>	<b>5 052 359 760</b>

<sup>1</sup> Coupon at 8.5% based on repayment on 31 December (except for 2013 when payment is expected to be on 30 June).

By the time we have repaid all the aid we received, the total amount in instalments, interest, penalties and CDO guarantee fees will be at least 13 billion euros, compared to an amount of 7 billion euros in principal received in 2008 and

2009 from the two governments. The group and its shareholders bear the entire costs for this government aid; the government – and hence the taxpayer – is being compensated for its aid and will ultimately get back a good return.

## Interest and penalties on recapitalisation loans

KBC pays annual interest of 8.5% on the principal (7 billion euros) of these recapitalisation loans in years when it also pays a dividend. In 2012 – as in 2011 – we paid a total of 595 million euros in interest to the Flemish Regional and Belgian Federal governments.

KBC agreed with the European Commission, which had to approve the government loans, to pay a penalty in addition to the interest. The aim of this penalty is to provide the governments, and indirectly taxpayers, with a fair remuneration for the risk assumed. The penalty payable to the Flemish Regional Government is 50%.

## Fees for CDO guarantees

In the past, KBC was involved in the structured credit market (repackaged home or corporate loans, known as collateralised debt obligations or CDOs) and itself invested in these structured credit products. Like many other financial institutions, we underestimated the risk associated with these products and their impact on our accounting results.

KBC had taken out insurance for various CDO transactions with MBIA, an American reinsurer. However, MBIA announced a restructuring plan in early 2009, which seriously dented its creditworthiness. Following that event, we entered into a guarantee agreement with the Belgian Federal Government in order to obtain additional protection for a large part of our structured credit portfolio. Since May 2009, we have paid fees of almost 1.2 billion euros to the government for this additional protection.

In the meantime, we continue to cut back our exposure to CDOs and structured credit (from an amount when the agreement was made of some 20 billion euros to around 12.2 billion euros at the beginning of 2013), which has also significantly reduced the risk for the government and taxpayers. Nevertheless, the results are volatile and are subject to fluctuation, so there are still risks, although the chance that KBC will have to call on the guarantee is diminishing. It therefore looks increasingly likely that the fees paid will represent a source of income for the government, without any attendant costs.

The last payment is scheduled for June 2015, by which time we will have paid 2.043 billion euros in fees for the CDO guarantee. The actual amount may be slightly lower if we manage to settle a number of CDOs early.

# WHAT PROGRESS HAVE WE MADE IN IMPLEMENTING OUR 'EUROPEAN PLAN'?

In 2009, we drew up a recovery plan – approved by the European authorities – with a view to repaying the government aid. We refer to this as the 'European Plan'. The aim of the plan is to enable us to duly repay the government and ensure that we can again compete in the market as a sound, independent financial group. After implementing this plan, our group will be a leaner but more focused European bank-insurer with a lower risk profile. We will also have a capital buffer that is large enough to satisfy the more rigorous capital requirements imposed by the regulators on all financial institutions to counter any future shocks.

## **KBC is fully focused on implementing the plan and freeing up capital by:**

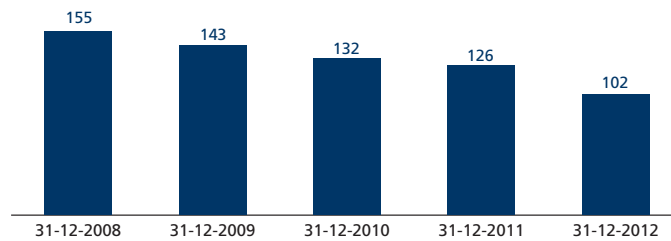
- focusing on core business and core markets, which involves providing bank-insurance products and services to individuals, the self-employed, members of the liberal professions, local businesses, SMEs and larger companies in Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland.
- selling and/or scaling down various entities, subsidiaries and non-core activities in non-core markets. In the past three and a half years, we have already made significant progress in this area.
- reducing our risk profile considerably. For instance, we have substantially reduced our portfolio of CDOs (structured credit and complex products which put us in difficulties). In addition, we have sold off much of our portfolio of outstanding government bonds issued by riskier Southern European countries. And we have cut our exposure to CDOs and asset backed securities by a nominal amount of almost 10 billion euros since the end of 2009, ahead of the figure set out in the plan.
- winding down a significant portion of the loan portfolios outside our core markets.

As a result, the risk-weighted assets of the group have been cut by almost 55 billion euros in the space of four years.

The plan was more or less fully implemented in 2012. Some smaller participating interests still have to be sold (KBC Banka in Serbia, Antwerp Diamond Bank in Belgium, KBC Bank Deutschland in Germany and a minority interest in Bank Zachodni WBK, a listed Polish bank). The sale of Absolut Bank, which has been agreed, still has to be completed.



Changes in the risk-weighted assets of the group  
(in billions of euros)



This graph shows the reduction in the KBC group's risks through risk-weighted assets (RWA). This reduction in RWA relates primarily to the divestments completed, scaling back of activities and reduction in the international loan portfolio, without involving a decrease in lending in our core markets. This trend was also influenced by other factors, including changes in the activities to be retained and the impact of new regulations.

# HOW DO WE PROVIDE FUNDING FOR OUR CLIENTS AND THE ECONOMY?

## We continue to lend in an environment of increasingly tight regulation

Lending is a very capital-intensive business. For instance, we have to set aside a certain amount of capital for every loan we grant. The rules have been tightened up considerably following the global financial crisis. Or to put it more simply: the greater the risk on a loan, the higher the amount of capital that must be earmarked to cover it.

Besides the more rigorous capital requirements, we also have to implement rules to ensure that our liquidity position is not jeopardised (Basel III). These measures should ensure that

KBC, like all other banks throughout the world, is always able to honour its (payment) obligations.

As a result of the tighter regulations, it is no longer as easy for financial institutions to grant very large loans at fixed rates for very long periods. We are addressing this problem partly by playing a very active role in the quest for alternative forms of funding for, among other things, major (public) infrastructure projects.

<b>Outstanding loans to clients</b> (In billions of euros)	<b>31-12-2011</b>	<b>31-12-2012</b>	<b>Change</b>
Belgium	56.906	58.994	3.67%
Central and Eastern Europe	30.165	31.109	3.13%
Corporate banking	53.220	48.702	-8.49%
<b>Total</b>	<b>140.290</b>	<b>138.805</b>	<b>-1.06%</b>



### **Renaat Mertens – Segment Manager, Corporate Credit**

*'Lending to SMEs in the various countries has risen or remained unchanged. The figures also reflect an increased focus on the local economy, to the detriment of lending to large international companies that do not have substantial operations in our core markets. In addition, it is no longer so easy for the bank to grant very long-term loans (> 10-15 years). KBC therefore consults with clients to seek and develop alternatives to loans of this kind.'*

## **Loans to individuals and companies**

In spite of the financial crisis, there has been no marked increase in Belgium in the number of clients who cannot honour their loan commitments. The same, however, is not true in Hungary and Ireland. We are making a particular effort in those two countries to assist clients hit by the financial crisis and to find solutions to their debt problems. Retail clients are offered an extensive range of repayment schemes.

As far as companies are concerned, KBC is heavily involved in trade finance. In 2012, we assisted our clients in the financing, risk containment and settlement of around 52 500 import and export transactions worth a total of some 17.5 billion euros, thus enabling our Belgian business clients to continue to develop their international activities.

## **Loans to the government and the social sector**

Besides loans to individuals and companies, we also provide financing for the economy by lending directly and indirectly to governments.

KBC actively subscribes to issues of government bonds. At the end of 2012, we had invested around 25 billion euros in Belgian government paper and 8 billion euros in Czech government bonds. As an approved primary dealer, KBC is also one of the main players on the secondary market for Belgian government bonds.

In addition, KBC continues to play a very important role in direct lending. Amongst other things, we granted a further 180 million euros' worth of long-term loans for the construction of social housing and for providing social loans in Belgium in 2012, and we also undertake to earmark roughly a quarter of our retail market investment credit portfolio for the social profit sector. This includes hospitals, retirement and nursing homes, education and local government, and represented 838 million euros in 2012. Furthermore, we fund investments in this sector with lower return requirements than for companies.

KBC plays a very active role in financing infrastructure projects that have a determining influence on developing the Belgian economy, such as the Brabo1 tram line in Antwerp and the Kempen North/South link in Geel/Kasterlee. We are also heavily involved in funding the construction of schools, prisons and sports centres.

## Environmental criteria as part of loan policy

We have drawn up specific guidelines for lending to the energy sector, which we review at regular intervals to bring them in line with best practices in the sector. Compliance with the KBC Energy Credit Policy and the Equator Principles is laid down in our in-house lending procedures.

KBC actively contributes to the development of green energy projects that are relevant in achieving European green energy targets. For instance, we financed various on-shore wind energy projects in 2012, and will finalise other dossiers in the pipeline in the coming months.





**Bart Guns – Senior General Manager, Credit Risk**

*'KBC is following the energy debate closely. We are wary of nuclear energy and have no desire to be involved in financing nuclear power plants that use old technology and/or installations that has/have not passed the stress test. With energy security in mind, we are not against financing utility companies that use (some) nuclear energy or suppliers of materials to the nuclear energy sector.*

*We are also cautious about coal-fired power stations, which we only finance if they use the best technology available. We do, however, sometimes finance so-called 'retrofit projects', where the polluting installations or technologies are replaced by more efficient, less polluting alternatives. We do not consider coal to liquid projects or the extraction of oil from tar sands.'*

KBC also assists companies in availing themselves of government measures, whereby they may qualify for interest and capital subsidies.

In May 2012, KBC provided the entire funding (a total of 30 million euros) for nine sports centres as part of the Flemish Sports Infrastructure Plan. These sports centres will be developed under a public-private partnership.



# HOW DO WE PROVIDE INSURANCE FOR OUR CLIENTS AND THE ECONOMY?

Insurance is the ideal instrument for clients to protect themselves. For instance, without public liability insurance businesses could not be run, without property insurance property would not be protected, without industrial accident insurance people would not be adequately protected at work, and without income and health insurance health care would become unaffordable.

## Long-standing insurer of the public and non-profit sectors

For many years, KBC has continuously insured the institutions of the Flemish Regional Government. Whereas other insurers have withdrawn from the medical and hospital sector, we have continued to invest to provide this sector with appropriate insurance products. In addition, we continue to provide insurance for educational institutions, retirement homes and other institutions and associations in the social sector.

## Partner for companies conscious of new risks

KBC has set up a separate entity for insuring companies that makes it possible to offer a comprehensive financial service. We focus much attention on innovation and on developing appropriate insurance solutions. Recent examples of this are insurance for solar panels, wind turbines and other forms of alternative energy.

In the agriculture and horticulture sector, which is one of KBC's long-standing specialist areas, we have developed new insurance products that are geared to current practice and the European agricultural policy.

KBC also encourages companies to take out environmental insurance, business interruption insurance and production loss insurance, which are essential for a company's continuity.

## Segmentation in a respectful way

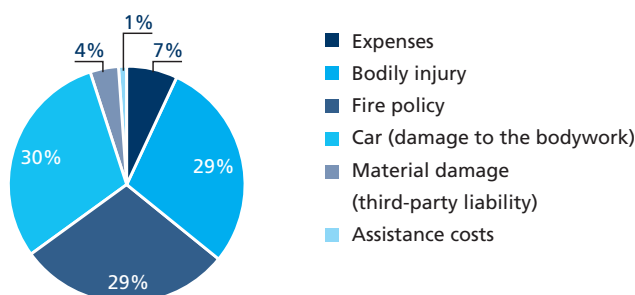
Asking for the right premium for every risk seems to be an obvious goal. But in some cases this can have undesired effects such as excluding certain social groups or making it difficult for them to obtain insurance. A prime example is providing affordable car insurance for young people. We have developed a product for young people who have just started driving whereby they can gain experience in their first two years of driving without paying a higher premium. A training module for the driving theory test is also provided free of charge in conjunction with our roadside assistance company, VAB. In other areas, too, we do all we can to avoid making a distinction among insured parties based on criteria beyond their control.

## More than just money

KBC does not limit itself to paying compensation, but also supports accident victims and encourages re-integration into society and work. Insurance agents are given specific authorisation to settle claims with clients quickly and efficiently. Lastly, we have a long-standing tradition of working with many organisations involved in road safety, welfare and victim support.



### Amounts paid out



The basic role of an insurer is to reallocate the premiums it collects to clients, insured parties and third parties who suffer (insured) material loss or damage or bodily injury.

Bodily injury involves impairment of physical functions, which in many cases results in a loss of income. Compensation paid under an insurance contract is designed to make up as much as possible for such loss as well as to cover the additional costs arising from appropriate treatment (e.g., hospitalisation, medication, physiotherapy, prostheses, orthopaedic equipment) and even the costs of adapting the victim's home to allow for their disability. In this way, the victim is re-integrated as best possible in day-to-day life and protected as a consumer and member of the labour force.

Fortunately, the consequences of most accidents are limited to material loss or damage. In such cases, the insurer enables the victims concerned to have their car repaired or replaced or ensures that damage to homes or business premises can be repaired. In addition, polluted sites are cleaned and compensation is paid for loss due to business interruption as the result of fire.

From this perspective, insurance is a system of re-allocation of funds that supports our economy and has a positive impact on gross domestic product (GDP) growth. To put this into figures, KBC paid 455 917 027 euros in non-life insurance claims to victims in 2012. A breakdown of this amount is shown in the above diagram: 93% was used to pay compensation and 7% to pay expenses. By expenses, we do not mean in-house expenses such as staff salaries, but instead payments made to doctors, lawyers, loss assessors and other parties involved in insurance.

# WHY ARE WE SO STRONG IN SOCIALLY RESPONSIBLE INVESTMENTS?

As well as encouraging lending for sustainable projects, KBC has for many years been offering socially responsible investment (SRI) products. And that's because we see SRI as a long-term strategy that can provide a good combination of return and sustainability. Moreover, experience shows that the returns generated by an SRI fund over time are comparable to those of a similar conventional fund (see graph).

KBC Asset Management has such a wide range of SRI products on offer that investors are able to compose their entire investment portfolio with these types of products.

KBC Asset Management has built up a strong market position in SRI products over the past 20 years. For instance, its share of the SRI market in Belgium came to 38% or more in every asset class in 2012.

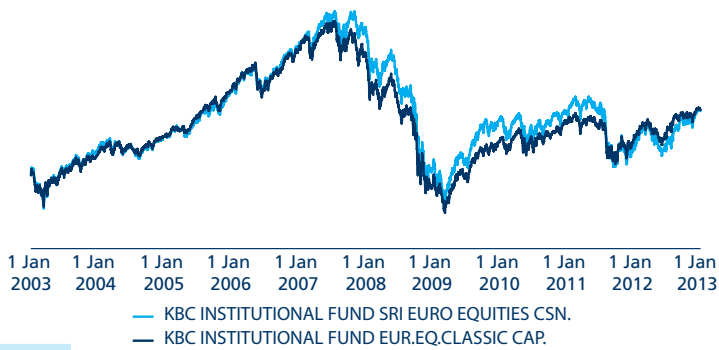
## External advisory boards

Since 2002, we have developed an extensive range of SRI products to cater for investors with the most diverse profiles. Our SRI equity funds encompass specific sustainable themes (e.g., Eco Funds) and general best-in-class funds. For many years, we have called upon the advice of specialists to help us with the composition of these funds. An external Environmental Advisory Committee, made up of academics from various fields, oversees the theme-based Eco funds, and the other equity funds are overseen by another team of experts who make up the External Advisory Board for Sustainability Analysis. As independent experts, they monitor the market, the social debate and developments in their particular fields. The advice from these independent experts means we are able to make adjustments constantly.

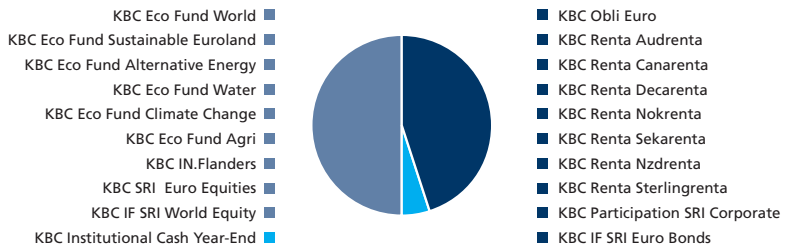
In 2012, we asked the External Advisory Board to assess not only the sustainability of our equity funds, but also that of the KBC group as a whole. In future, it will also issue advice on socially responsible issues relating to lending, HR policy, insurance and so on. The Environmental Advisory Committee will continue to supervise the theme-based Eco funds.

***The composition of both these bodies is provided at [www.kbcam.be](http://www.kbcam.be).***

**The performances of a European SRI fund (KBC Institutional SRI Euro Equities) and a conventional European fund (KBC Institutional Fund Euro Classic) over the past 10 years**



**Summary of a number of SRI funds that do not have a maturity date**



## Constant improvement

Since the crisis began in 2008, investors increasingly demand that companies take account of social responsibility and sustainability in their day-to-day operations in order to limit the investment risk as much as possible. In 2012, we continued to integrate the SRI research unit into the business analysis department. As a result, conducting research into a company's social responsibility and sustainability indicators is now one of the key elements in every business analysis carried out by KBC Asset Management.

We will start to refine our best-in-class models in 2013. After developing a separate screening model for financial sectors in 2012, we will be setting up models for other sectors this year. We also intend to become even more transparent in 2013. KBC Asset Management already differs from other providers through its transparent approach in terms of definitions, screening criteria and results. For example, the sustainability scores of more than 2 000 listed companies are permanently available on the KBC Asset Management website ([www.kbcam.be](http://www.kbcam.be)). And we intend to add our SRI research reports to this information in 2013.





# HOW DO WE APPROACH RISK MANAGEMENT?

The recent financial crisis made painfully clear that good risk management is essential for the financial soundness of banks. Because of the central role of banks in the economy, good risk management within financial institutions is, of course, in everybody's best interests.

## Additional structural measures

A whole raft of additional legislative measures should enhance the stability of the financial sector. Examples here are the Basel III standards, which impose more stringent capital and liquidity requirements on banks, and the 'bank statement', in which a bank sets out its financial and structural strategy to cope with exceptionally serious financial circumstances.

KBC deals with around 100 in-depth questions (not including those questions posed by telephone or e-mail) from various governments every year. And this number is rising.

Other measures still being developed include European reforms to supervision of the banking sector, with a major role for the European Central Bank. We are also awaiting proposals at European and national level in 2013 regarding the structure of banks, most notably the ring-fencing of retail and merchant banking activities.

All these regulatory reforms call for major adjustments – strategically, commercially and in terms of ICT. We have already made considerable efforts in this area with regard to the new capital requirements for banks (Basel III standards) and insurers (Solvency II Directive). However, this work is hampered by the ongoing uncertainty about the precise content of the regulations and the date on which they will take effect.

## A continuous process

Risk management is a continuous process, which starts with determining the risk tolerance. Every year, KBC's Board of Directors issues a formal statement setting out the risks that can be taken. Based on this readiness for risk, the Executive Committee sets limits within which our network may operate. These limits form the basis for the annual commercial planning process, and are also used as a benchmark for reports on risk exposure.

A major task is to provide support for our commercial network, which is precisely where good risk management begins. The constant challenge faced in this regard is finding the balance between thorough, adequately stringent risk analysis on the one hand and support that is relevant and practicable for the network on the other. In 2012, the Risk Management department further improved the day-do-day support for the network, setting clear guidelines on how each type of risk (credit, insurance, market, liquidity, reputation, strategic, operational and business) should be managed.

The New and Active Product Process is an important process at KBC for approving and regularly reviewing products. The intention is that we should not sell any unsuitable products or services to clients. This process was introduced in 2011 and assessed in 2012. The general conclusion of this review was that while the process encourages the network to also pay attention to non-commercial goals, it could be made even more transparent, without making it any less robust. We already implemented measures to this end in 2012.



## A warm tradition

*Kom op tegen kanker* kicks off its two-yearly fund-raising campaign with a live show on Belgian television.

Viewers can come up with their own initiatives to collect money and/or give a donation during the show by calling in.

The call centre is based in our Brussels head office where 360 enthusiastic KBC employees man the phone lines.



# WHAT IS OUR INTEGRITY POLICY?

KBC has a series of detailed policies on integrity, anti-corruption and fraud prevention. The Compliance department draws up these policies in consultation with the relevant entities within KBC, and ensures that they are clearly communicated, efficiently implemented and systematically monitored.

Within the KBC group, the Compliance department has specific responsibility for anti-money laundering policy, financial markets and investor protection (MiFID), data protection and banking secrecy, ethics and fraud risk management. It is also responsible for the group's code of conduct, anti-corruption programme, whistleblower policy and human rights policy statement.

## Education and training

In 2012, we continued to offer conventional training courses on our integrity policy, but also used new technology to set up individual online training courses. In addition, we have included compliance as a subject in various general training programmes.

## Data protection

All employees must treat confidential information with due care and ensure that it is protected. At KBC, we also have in-house rules in this regard on the treatment of personal data, client information, complaints handling, marketing, etc.

## Anti-corruption programme

The basic principles of our anti-corruption programme have been translated into a group-wide KBC Compliance Rule, which we introduced at the end of 2011. In 2012, we focused particularly on departments that are considered riskier (e.g., Human Resources, Accounting, Procurement and Credit).

At group level, the Compliance department co-ordinated the assessment and review of the local (anti-corruption) policy, part of which deals with gifts, entertainment and sponsoring. In 2011, we updated our gift policy under a separate group-wide KBC Compliance Rule. Basically, this rule states that employees may only accept or offer gifts and entertainment within specific limits or in agreement with their manager. Bribery, facilitation payments and contributions to political parties are expressly prohibited. In 2012, we tested whether this policy is being correctly applied and again conducted group-wide awareness campaigns.

Further controls will be introduced in 2013 under the Compliance Monitoring Programme. These controls will focus on specific aspects of our anti-corruption programme, such as relationships with suppliers, declaration of expenses, client identification and verification processes, authenticity checks of documents received and various risk assessments.

In its report entitled *Transparency in corporate reporting: assessing 10 listed Belgian companies*, Transparency International named KBC number one in terms of provision of information on its anti-corruption programme.

### Protection of whistleblowers

Starting in 2006, KBC has introduced a raft of measures geared towards protecting employees who report cases of fraud and serious malpractice.

In 2012, as in previous years, we organised information campaigns to increase awareness of this possibility. Nevertheless, there was a slight fall in the number of reported incidents. In roughly half of the cases, it transpired that there was actually a problem and appropriate measures were taken.

## Anti-money laundering policy

### **New cash policy in Belgium**

Depositing/withdrawing cash (i.e. cash transactions) is one of the most commonly used methods of laundering illicit money. Therefore, from the point of view of preventing money laundering, it is of vital importance to determine whether cash deposits and withdrawals fit with a client's profile. To this end, we have drawn up a policy in Belgium focusing specifically on cash transactions which staff are required to rigorously adhere to.

### **Group Embargoes and Know Your Transactions Rules**

In 2012, our focus was again on efforts to implement and duly apply the third EU anti-money laundering directive and related EU regulations.

The aim of the embargo rule is to avoid accepting clients and/or executing transactions relating to certain countries or barred persons or entities and certain activities (e.g., weapons of mass destruction).

The Know Your Transactions rule covers the requirements concerning first and second-line monitoring of transactions as well as the requirements deriving from EU Regulation 1781/2006 on information on the payer.

### **Preparing for FATCA**

FATCA is the US Foreign Account Tax Compliance Act, aimed at combating tax evasion by US taxpayers. Under the Act, which takes effect on 1 January 2014, foreign financial institutions are obliged to provide comprehensive information on specified US taxpayers to the US Internal Revenue Service, either directly or through their national tax authorities. Within the KBC group, a programme has been set up to duly implement this new legislation. In 2012, the FATCA project focused on the implementation of the Know Your Customer (KYC) requirements.

# HOW IS OUR COMPANY MANAGED AND WHAT IS OUR REMUNERATION POLICY?

KBC is managed by a Board of Directors, which sets KBC's strategy, and an Executive Committee, which is responsible for day-to-day management of the group.

## Management

The composition of the **Board of Directors** was given careful consideration in 2011. It was decided that the number of members would be gradually reduced to less than 18, efforts would be made to increase representation of women (in order to satisfy the 30% criterion sooner than prescribed by law), and the number of independent directors from our Central and Eastern European core markets would be increased. The number of directors was reduced to 22 and a second female director was appointed (also the first Central European member of the Board) at the Annual General Meeting of 3 May 2012. Following the repayment of the Belgian Federal Government aid, the number of directors was reduced to 20 (including two appointed by the Flemish Regional Government).

The **Executive Committee** has eight members and is headed by the CEO, Johan Thijs, who took up office on 3 May 2012. Together with the Executive Committee, he has continued to implement the restructuring plan and has drawn up a new strategy and organisational structure. The new structure highlights the importance of our activities in the Czech Republic by making it a separate business unit.

## Remuneration policy

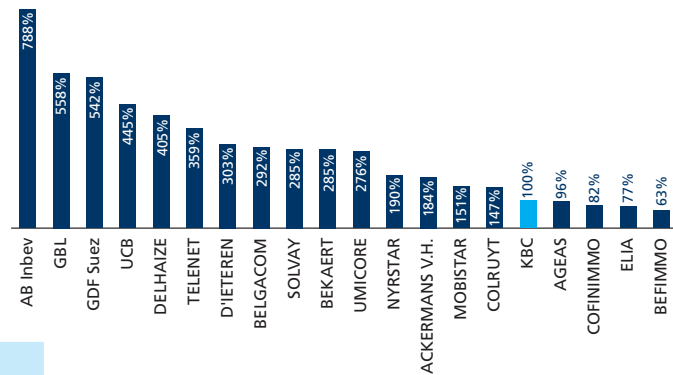
KBC and the Board of Directors are sensitive to the social debate about top salaries in the financial sector, and more particularly in companies that have received state aid. However, the Board also believes that it is essential to offer appropriate, competitive terms to motivate the team that has taken office since the financial crisis.

The remuneration policy for the Board of Directors and Executive Committee is based on prevailing legislation, the *Belgian Corporate Governance Code* and market data, and is reviewed at regular intervals. Although the remuneration KBC pays its management is comparable to that at other European financial institutions, the remuneration paid to the CEO tends to be at the lower end of the scale. The very high bonuses paid by many international merchant banks are not part of KBC's culture.

The total remuneration package of members of the **Executive Committee** is made up of a fixed component, and a variable component that is linked to KBC's results and to performance objectives (where both the achievement of the objectives and the way in which they are achieved play a part). The European CEBS guidelines are used to establish the variable component. For instance, the variable component for members of the Executive Committee is never higher than the fixed component and payment is spread over five years.

The President and members of the Executive Committee voluntarily and at their own initiative waived their contractual right to variable remuneration in 2008, 2009 and 2011. The CEO's gross fixed salary was 750 742 euros in 2012. His variable remuneration came to 291 279 euros, 72 819 euros of which will be paid in 2013.

Comparison of CEOs' salaries for BEL 20 companies (2011), where KBC = 100



In 2013, the decision was taken to award members of the **Board of Directors** only a fixed payment and attendance fees for meetings in 2012, and not any profit-related bonus or stock options. The Chairman of the Board receives a fixed remuneration.

The policy for variable remuneration for **senior managers and front office dealing room staff** has also been adjusted retroactively. For instance, the variable remuneration paid to senior managers may never be higher than their fixed annual salary, and an absolute limit for their total remuneration has been set. In addition, part of the variable pay of certain senior managers (depending on their position and amount of variable pay) will be spread over time and part converted into non-cash components. Staff employed in the dealing room will also receive that portion of their variable pay above a certain amount spread over time.

In addition, allocation of the variable remuneration is embedded in a governance structure in which various committees (such as the Remuneration Committee) play a role. This means that the variable component or part of it might not be paid, or that amounts already paid might be claimed back.

Full details of KBC's remuneration policy are provided in our annual report, which is available at [www.kbc.com](http://www.kbc.com).

# HOW DO WE TREAT OUR STAFF?

Today more than ever we realise that our group's positive results and standing are thanks to our staff, and we therefore have a specific staffing policy in our core markets. The following are some examples of initiatives in this respect.

## KBC Belgium

### ***We treat our staff with respect***

#### *Encouraging home working*

KBC provides its staff with a pleasant, safe working environment. Head office staff do not even have to travel far to get to work as they can log in at a regional office close to home, or even work from home. The option of working from home was already available to a small number of staff, but this year the project will be extended to many more. As a result, many staff will be able to achieve a better work/life balance.

#### *Diversity*

KBC encourages diversity by offering every employee equal opportunities based on their intrinsic qualities and potential and removing obstacles that may impede this. Special attention is paid to women because they account for almost 50% of our staff but only fill a small number of management positions. Our 'advancement of women' programme aims to introduce balanced leadership, with women making up 25% of senior management by 2016, and to achieve a significant increase in the number of female managers. This programme means that if candidates for a senior post have equal skills, we will opt for the female candidate, every division must take action if the number of females identified as having high potential is relatively lower than the number of female managerial staff, and a system of mentoring is in place for promising managerial staff. The External Advisory Board is involved in this and monitors developments annually.

#### *Health and safety*

KBC has an extensive health and safety department to oversee staff health and welfare. For instance, we invite our employees to undertake an extensive medical check-up at regular intervals and promote awareness of good posture at work. We encourage our staff to take a regular preventative cancer check-up (the appointment may be arranged during working hours and KBC reimburses part of the expenses involved) and provide financial support for staff undertaking stop-smoking programmes. We focus attention on healthy eating in our staff restaurants and arranged a number of very well-attended auditorium sessions on preventing stress and burn-out in 2012. Our health and safety adviser is also the point of contact for staff who feel bullied or are victims of harassment. We work with *Werkgroep Verder* in the area of suicide prevention.



### **We motivate our staff**

#### *Empowerment*

Now more than ever, KBC recognises and appreciates the creativity and enterprise of all staff. The new PEARL strategy is an invitation to every employee to express their ideas and opinions on how we can improve our company. Only the active exchange of ideas will enable us to be flexible enough to satisfy the expectations of our clients and society. At the same time, employees will also be approached more directly concerning their responsibilities and performance.

#### *Talent scan*

KBC has developed a talent scan that enables staff to weigh their interests and strengths against each other to help them identify the kind of position that suits them best. They can also enter their knowledge, skills and ambitions in an electronic profile so that the HR department and their managers can use this to make sure they are placed in the right job. Their personal development plan is a helpful tool in setting and achieving their annual performance and development objectives.

#### *Open learning*

KBC offers a comprehensive range of training courses. As well as day courses, mainly for specific target groups, we also arrange free evening courses open to everyone. The offer ranges from digital photography and Chinese for beginners to assertiveness and mindfulness training.

### **We value our staff**

#### *Pay*

KBC pays its staff good salaries. In 2012, we put the focus on employees' competences and the job level they were assigned, and clear, measurable objectives were set for managerial staff. The variable salary component includes a share in profit, a non-recurrent results-based bonus (payment of which is linked to the achievement of environmental targets) and an individual variable bonus based on performance.

#### *Pension fund*

KBC endeavours to provide its staff with a good income, even if they are unable to work due to illness or have retired. With two pension schemes (one funded by the employees themselves and another financed by the employer), all employees can supplement their statutory pension. In early December 2012, the KBC pension fund, which manages the resources available for this (1.2 billion euros), received the 'Investments and Pensions Europe Award' for the third time in five years, for the best pension fund in Belgium on account of its 'innovative, successful and effective investment strategy'. This is the result of prudent management involving various parties (employers, employees and specialists in the various types of investment).



## Programmes for staff in our other core markets

In Hungary, K&H has set up the 'Welcome Back Programme' for women returning to work after maternity leave. This programme includes a bonus of 40 000 Hungarian forints for each baby.

In Slovakia, ČSOB has instituted various HR projects to improve general working conditions.

- Trainee Programme: a support programme for economics students, with the ultimate aim of giving young, talented people the opportunity to come and work for ČSOB;
- Hawks: a training course for anyone who wants to train as a branch manager;
- Retail Academy: a training programme for branch managers to help them improve their management skills;
- Family Programme: a special programme for employees who wish to gradually resume work after taking parental leave;
- HR Partnering: a training programme for all HR Department staff;
- E-recruitment: an innovative recruitment process;
- A new system of recruitment for retail that involves telephone pre-screening, group assessments, reviews of the skills to become a branch manager, etc.

KBC Ireland continued the roll-out of its 'Wellbeing Programme' in 2012. This programme is based on four fundamental aspects:

- work/life balance;
- stress management;
- encouraging a healthy lifestyle based on healthy eating and exercise;
- management of personal finances.

KBC Ireland's Wellbeing Programme was nominated by the Chamber of Commerce for the Workplace CSR Award 2012. The programme is well known among the general public and has a positive impact on recruitment and the search for talent, as well as on KBC's reputation as a good employer in general.





*Svetlana Maerkova*  
*Head of Cards, Analysis & Risk, Bulgaria*



*Alben Vasileva*  
*Head of Sales Management*  
*– SMEs, Bulgaria*



*Andrea Halcinova*  
*General Manager, KBC Asset*  
*Management, Slovakia*

*Our 'advancement of women' programme aims to introduce balanced leadership, with women making up 25% of senior management by 2016, and to achieve a significant increase in the number of female managers.*

The main components of this programme are:

- Peer Support System: an innovative extra support system for staff experiencing stress and difficult situations in their work. This support service provides a quick, confidential and specialised response to employees' needs. It is provided for and by staff.
- The Pedometer Challenge 2012: the Pedometer Challenge took place in September and October 2012. More than 100 keen 'walkers' took part in the challenge. In return, they received a free healthy breakfast. KBC was one of the 50 companies in the country that took part.
- The Sports & Social Team: this team is responsible for arranging sports and social events for staff; its aim is to encourage diversity, involvement and participation in a range of activities. In 2012, KBC Ireland made efforts to reach more employees and increase the number of participants, which it did, with more people taking part with each activity. In conjunction with the Marketing Department, the team wants to launch a CSR calendar in 2013 to keep all staff updated on current and future events.

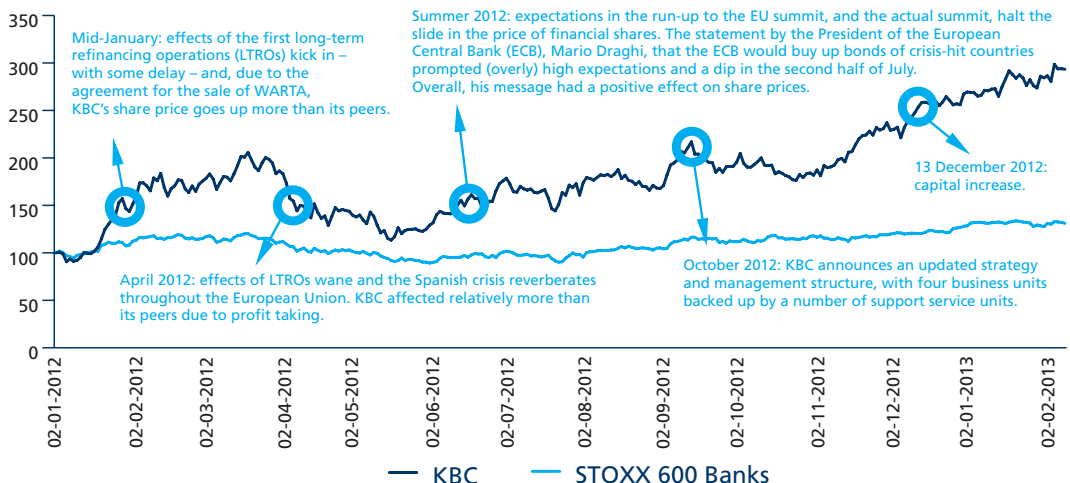
# WHO ARE OUR SHAREHOLDERS?

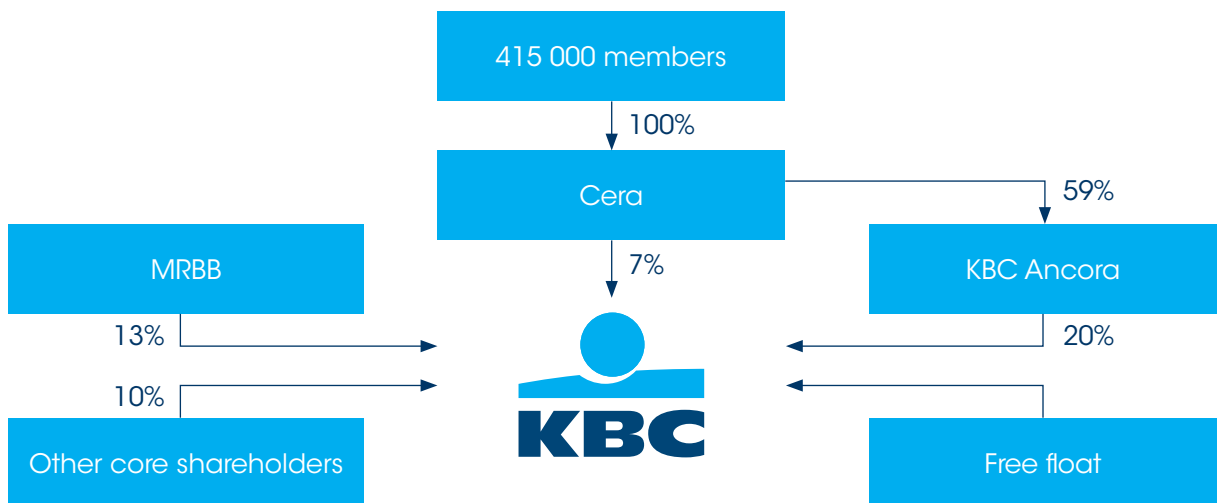
KBC Group NV is a listed financial institution with a solid base of stable shareholders and a clear long-term vision.

KBC shares are listed on the Brussels Stock Exchange. About 50% of KBC's capital is controlled by core shareholders. The main shareholders are Cera, KBC Ancora, MRBB and a group of other core shareholders. Cera is a co-operative company with more than 400 000 members. It is also the majority shareholder of KBC Ancora, a listed company, which is the only holder of an active participating interest in KBC Group NV. MRBB is the financial holding company of the *Boerenbond* (farmer's union). In addition, several entrepreneurial families have held a stable interest in KBC for decades, and intend to continue to do so in the future. As a result, KBC is firmly anchored in Belgium. This means that, together with our reference shareholders, we can develop a long-term vision and strategy that does not depend on short-term objectives. Consequently, our core shareholders participated in the capital increase of 13 December 2012.

In addition, many staff have also invested in KBC shares, as a sign of their confidence and belief in the group. Many individuals are also doing that indirectly, for instance if they save through pension funds or other investment funds that invest partly in KBC shares.

**KBC share price in 2012**





Shareholding calculated based on the current number of KBC Group NV shares and taking account of the shares held following the most recent disclosure or notification:

- Other core shareholders: disclosure on 30 June 2012;
- KBC Ancora and Cera CVBA: disclosure on 13 December 2012;
- MRBB: notification to KBC Group NV at the start of 2013.

# HOW DO WE ESTABLISH OUR ENVIRONMENTAL POLICY?

KBC's environmental policy is aimed at ensuring that natural resources are used with care. It is integrated into our daily operations, and projects and pilot studies are carried out on a continuous basis. We monitor our energy and water consumption, choose our materials carefully and limit our business travel. ARGUS, the environmental centre set up by KBC and Cera, helps to draw up KBC's environmental policy. This non-profit organisation, which is now forty years old, uses awareness campaigns and information to encourage society in general to seek out and implement the most ecologically sound solutions at work and in day-to-day life.

## Variable pay linked to sustainability targets

In 2012, in consultation with our social partners, we made the non-recurrent results-based bonus of staff in Belgium subject, for the first time, to the achievement of environmental sustainability targets. In terms of *consumption*, we had aimed to, at a minimum, not exceed the current levels for energy (electricity and fossil fuels) and achieve at least a 2% reduction for paper. On the *purchase* side, we succeeded in replacing certain materials in use in the company with an explicitly environmentally friendly alternative bearing the Cradle to Cradle quality label. Meanwhile, lease car drivers were asked, when choosing a new vehicle, to always opt for a model with lower CO<sub>2</sub> emissions. These objectives brought about a high level of involvement of staff. By means of information provided on a regular basis via the internal channels, everyone was able to closely follow our progress in meeting our targets. And we reached the five targets for the non-recurrent results-based bonus at the end of the year.

## Broader initiatives

In addition to the implementation of the projects from the official annual programme, we also get involved in projects that bring together actors from the wider community. Last year, for instance, KBC was selected by two external parties for two pilot projects:

- The *Mobiliteitsbudget werkt* (Mobility Budget Works) initiative of the Flemish Mobility Minister and environmental umbrella organisation *Bond Beter Leefmilieu*;
- *Blue Gate*, a Cradle to Cradle urban renewal project in the Antwerp harbour area. Our logistics centre in Mechelen entered the selection process for this pilot.

We also embraced initiatives carried out as part of the Flanders in Action (ViA) programme, in which the government and social partners have joined forces to make Flanders one of the most sustainable regions in Europe by 2020. In connection with the project, we jointly organised a *materials transition workshop* with ARGUS, researchers and consultants. We also participated in the *Leuven Klimaatneutraal* (Climate-Neutral Leuven) project's energy, mobility, materials transition and biodiversity workshops.

## Intensive monitoring of consumption

Since 2009, we have been using an environmental management system in Belgium in accordance with the ISO 14001 and/or EMAS standard of excellence for the environmental performance of businesses. The emphasis lies on compliance with legislation, continuous improvement of the company's own environmental performance, and increasing the involvement of all staff. An in-house audit team and an independent external auditor screen the processes used at regular intervals.

However, closely monitoring our own *ecological footprint* is not easy. It works well for the large premises in Belgium for which we have reliable consumption readings from the energy suppliers. However, meter readings are only available in about 75% of our branches, which means discipline and effort is required from the branch employees every month to enter the energy and water consumption data precisely in a central database.

All plans drawn up for new office buildings take account of special environmental requirements. For instance, the new ČSOB head office in the Czech Republic won the 'Building of the Year' award in 2007, and was also nominated as one of the most environmentally friendly bank buildings in Europe by the American Leadership in Energy and Environmental Design (LEED) certification programme. In Hungary, K&H Bank is competing along with four other Hungarian companies for the European Energy Trophy, the aim of which is to reduce greenhouse gas emissions by saving energy and increasing staff awareness of environmental matters.

In Slovakia and Bulgaria, on the other hand, there is still much work to do on improving environmental performance. Here too, when we plan new projects, we take account of special environmental requirements.

Detailed information on KBC's environmental performance can be found at [www.kbc.com/csr](http://www.kbc.com/csr) and [www.argusmilieu.be](http://www.argusmilieu.be).

### Construction of 'power stations'

As regards sustainable construction, we learned in 2012 that office buildings can also function as mini power stations that generate all of their own energy.

### Arteveldestoren in Ghent

KBC's regional head office in Ghent was inaugurated in April 2012. The tower, named Arteveldestoren, is 119 metres high and has 27 floors, providing 20 800 m<sup>2</sup> of office space. Arteveldestoren is the highest building in Ghent and the highest office building in the Flemish Region. The energy level of 67 is the result of the environmentally friendly facilities, intelligently controlled office lighting and high-efficiency condensing gas central-heating boilers. In addition, a heat exchanger provides for 75% energy recovery from air extracted by the ventilation system. The interior was constructed using recycled materials. This new building offers a wide variety of possibilities for working locally – an important factor for employees striving to ensure a healthy work/life balance. It should, however, be noted that the availability of paths for cyclists and pedestrians could be improved. But we are currently discussing this matter with the Ghent City Council.

### Small, compact branch in Gooik, Belgium

In December, we opened a small but highly energy-efficient branch in Gooik-Leerbeek in Belgium. The branch was given the project name 121212, after the opening date. It was built in a fully environmentally friendly manner, with a minimum of materials and techniques and without compromising on comfort and functionality for its six staff. The building was constructed from concrete and steel only. It is compact and oblong, ensuring a short circulation. The building is designed to run on natural energy – it uses solar energy and air and also generates energy from the soil, which means it does not need any cooling system or boiler. This has yielded the building an energy certificate with a score of zero – unprecedented for a bank branch – making Gooik-Leerbeek the first energy-neutral bank branch in Belgium.

# EXTENSIVE INVOLVEMENT IN THE COMMUNITY

First and foremost, KBC aims to fulfil its role in society through the products and services it offers. We wish to improve our status as a socially responsible company through our new PEARL strategy, vision and values. KBC also has a tradition of more extensive involvement in the community. Every year we collaborate actively with various partners to focus on a particular social goal, to provide financial support or have our staff lend a helping hand. We opt for projects and partners involved in health, voluntary work and the needs of children, and we respect the specific features of our different markets (Belgium, the Czech Republic, Hungary, Slovakia, Bulgaria and Ireland) in this regard.

## Belgium

In Belgium, we support *Kom Op Tegen Kanker*, the main anti-cancer campaign in Flanders, the road safety campaigns for children undertaken by *Levenslijn* and various action projects for vulnerable groups in Brussels, Antwerp and Ghent. Providing financial support is one thing, but encouraging voluntary efforts by staff says much more. By way of the Solidarity Campaign, KBC staff who support charitable work qualify every year for financial support to the organisation in which they are involved. As part of the KBC4Society project, teams can swap their annual activity for a helping hand to a good cause. Along with Cera, KBC is a partner of BRS, an organisation that focuses on microfinancing and microinsurance in a number of countries in the southern hemisphere. As part of the KBC4BRS project, some staff travel to Africa and South America every year to coach projects; half of the time involved is their free time.

## Czech Republic

ČSOB in the Czech Republic focuses on projects that improve the quality of life and independence of the disabled and underprivileged. Amongst other things, ČSOB is co-founder of the Education Fund, which grants scholarships to gifted children with a medical or social handicap. ČSOB is also a partner in a programme focusing on the full rehabilitation of people with medical disabilities and their employment. ČSOB has also been a general partner of the Safety Line for the past three years. This telephone helpline assists children and young people with complicated situations in their lives and also with their everyday concerns and problems.

ČSOB is proud of the voluntary work undertaken by its staff. A major initiative in this regard is the 'Helping Together Programme', which includes volunteer days, when employees help at various non-profit organisations once a year. And, as with KBC in Belgium, there is a grant fund to support projects of non-profit organisations to which employees provide long-term help.

## Slovakia

For the second consecutive year, ČSOB organised its successful 'Head & Heel Programme' for students. This is a competition for university students during which they work on real case studies from the field of banking with the assistance of specialists from ČSOB and present their proposed solutions to a jury (made up of senior managers from ČSOB). It is also the ideal opportunity to identify talented students with a view to future recruitment to the ČSOB group. Two competitions were held as part of the programme in 2012. One was held in April at the University of Economics in Bratislava and the other at the Technical University of Kosice. More than a hundred students took part in the two competitions, which were based on the theme of modern communication technology. 31 specialists and managers from ČSOB spent more than 300 hours working with the students in the two competitions. The programme helps improve the students' presentation skills, creativity and team working skills. The students appreciated the opportunity of working with specialists on real case studies.

## Hungary

The aim of the 'K&H Foundation for an Open Society' is to facilitate social progress by encouraging social organisations and initiatives, including supporting sociological and political research and giving young people the opportunity to gain experience abroad. The foundation also supports the independent press in Hungary and all those involved in the process (including writers, artists, creative groups, periodicals and training courses). The foundation's other objectives include the preservation and enhancement of artistic values, by for instance, supporting creative work, exhibition venues, literary translation activities and the cultural press.

The 'K&H Foundation for a Healthy Nation' supports activities that improve health and aims to raise health awareness by, for example, providing information on the latest forms of primary health and safety and by assisting healthcare workers. The 'K&H Foundation for Science, Technology & Economic Education' improves the physical conditions of research programmes and the individual research sites of technical and applied arts universities and colleges. Another objective is to encourage activities that play a key role in the development of the Hungarian economy, including by funding foreign exchange programmes for economics majors and supporting young professionals in the field.

## Bulgaria

The various charitable programmes undertaken by CIBANK support children with health problems and associations that help people with a variety of problems. Association Solidarnost, for example, develops rehabilitation and re-integration programmes for drug addicts.

CIBANK also supports the 'Children with Developmental Problems' programme, which was established in 2006 as a non-profit association. The association was set up by parents of children with developmental problems, who know the difficulties in raising them and in their education and medical treatment. They help families with children suffering from cerebral palsy, sensory damage, epilepsy and intellectual and behavioural problems. In addition, CIBANK backs the work and welfare campaigns of various small communities in the country. In 2012, CIBANK supported the celebrations in cities across the country to mark the 100th anniversary of the end of the Balkan War.

## Ireland

KBC Ireland is actively expanding its social engagement, and supported two initiatives for children in 2012. The 'Barretstown' programme helps rebuild the lives of children affected by serious illness, and their families, in a supportive environment. Hospitals work to cure the physical illness while Barretstown treats the accompanying psychological effects. KBC Ireland also supports Barnardo's, Ireland's leading children's charity, working with over 6 000 children. Barnardo's works to improve the lives of all children in Ireland, and in particular children who face barriers (like poverty, abuse, neglect or loss of one or both of their parents) in reaching their potential.

## **KBC and Close the Gap work together to bridge the digital divide**

In the industrial world, computers are changed every three to four years, with companies often looking for sustainable solutions to replace them. Close the Gap takes these high-quality computers from European companies free of charge and offers them to educational, social and medical projects in developing and emerging countries.

The organisation guarantees a diverse and sustainable approach. In Africa, local partners install and maintain the computers and give IT courses. Needless to say, the computers eventually reach the end of their second life. In many cases, they are then simply stripped apart without a thought, causing a serious threat to the environment and people's health. To combat this, Close the Gap established the non-profit organisation, WorldLoop, which works through local partners to collect and dismantle computers and recycle the e-waste.

Since it was established in 2003, Close the Gap has received more than 250 000 computers and distributed them among some 2 000 projects in over 40 countries around the world. KBC wants to help bridge the digital divide and has, therefore, been supporting Close the Gap since 2006. To date, we have donated more than 51 000 computers and accessories to the organisation. In addition, Close the Gap works with the Belgische Raiffeisen Stichting – a foundation run by Cera, a KBC shareholder – to provide ICT infrastructure for microfinancing projects in the southern hemisphere.

If you would like to find out more about how to donate a computer or if you know of a project that might need computers, e-mail [sophie.colmant@close-the-gap.org](mailto:sophie.colmant@close-the-gap.org) or call + 32 2 614 81 59, or e-mail us at [csr.feedback@kbc.be](mailto:csr.feedback@kbc.be).

You can also find more information at [www.close-the-gap.org](http://www.close-the-gap.org).









Editor-in-chief: Corporate CSR, Havenlaan 2, 1080 Brussels, Belgium  
Translation, sub-editing, proofreading, concept and design: Marketing & Communication, Brusselsesteenweg 100, 3000 Leuven, Belgium  
Printer: Van der Poorten, Diestsesteenweg 624, 3010 Leuven, Belgium  
Publisher: KBC Group NV, Havenlaan 2, 1080 Brussels, Belgium

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SAP 12652, 04-2013