



Report to Society for 2015

Prepared for the future





We are an integrated bank-insurance group with over 38 000 highly motivated employees from different countries, serving over 10 million clients in our core markets of Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland.

We set the bar high, aiming to be the bank-insurer that puts its clients centre stage, and so become 'the reference'.

We see [our clients as partners](#), with whom we can work together to help build society and create sustainable economic growth. We listen to what they say (and don't say), look at their individual needs, and come up with a personal solution. One that's always based on respect. Because our values are the foundation of our way of doing business.



5

core countries and Ireland



Our bank-insurance model enables us to be proactive in offering a complete package of services.



128 billion euros

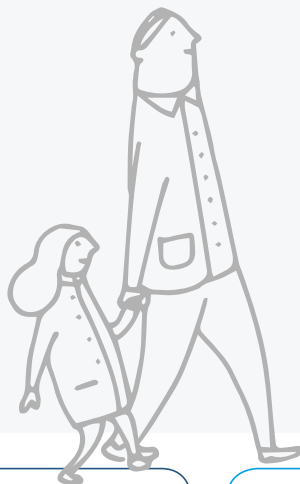
in loans



145 billion euros

in savings

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We are embedded locally so we can offer the right solutions everywhere. Through our geographical focus we pursue sustainable growth.



4 000

insurance agencies and other insurance distribution channels



13 billion euros

repaid to government



10
million

clients



38 000

employees



1.6
billion euros

paid out in insurance claims

4

focus areas:

- financial literacy
- environmental responsibility
- stimulating entrepreneurship
- population ageing



1 560

bank branches



Our core shareholders

| | |
|-----------------------------|-------|
| KBC Ancora | 18.6% |
| Cera | 2.7% |
| MRBB | 11.5% |
| and other core shareholders | 7.7% |



1
billion euros'

worth of loans for renewable energy

4.5
billion euro

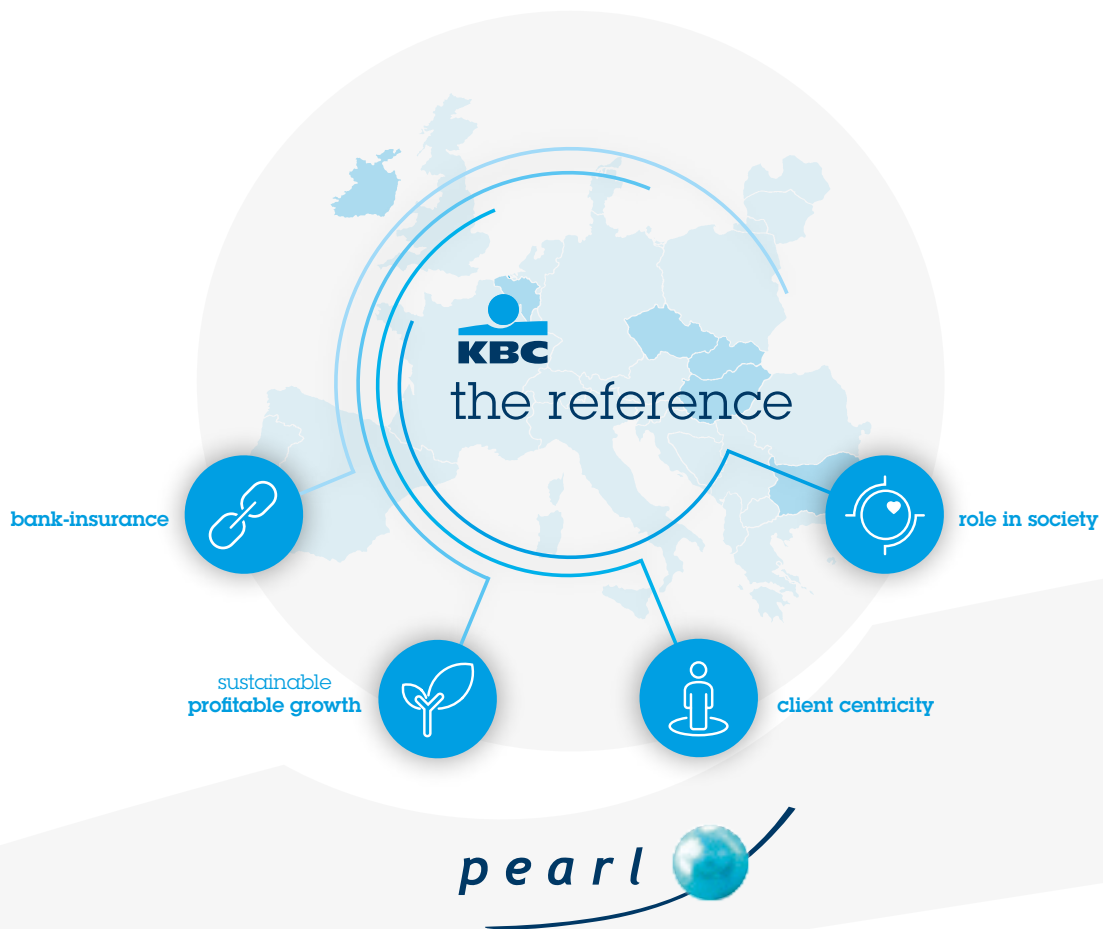
capital buffer

More information

www.kbc.com
www.kbc.be

KBC Telecenter
kbc.telecenter@kbc.be

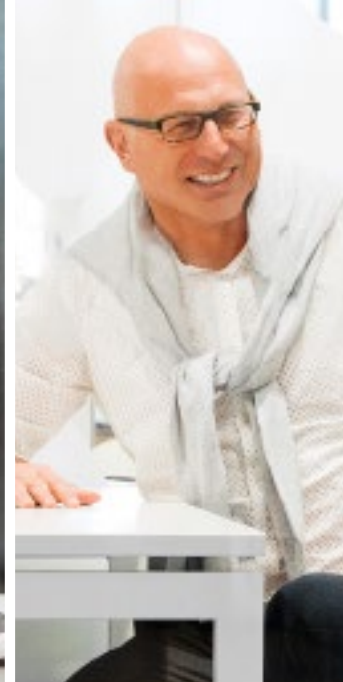




Our PEARL culture is the fertile ground in which our strategy can flourish. This strategy rests on **four, mutually reinforcing principles**:

- We place our clients' interests at the centre of everything we do, offering them high-quality service and relevant solutions at all times.
- 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 and aim to reflect that in our everyday activities.

PEARL stands for Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness.



Prepared for the future

We could start by telling you that we achieved some great results in 2015. Indeed, after recording a profit of 2.6 billion euros, it would be hard to do anything else. While it's true that 2015 was a very good year for us, our feet remain firmly on the ground. We recognise that a lot of challenges still lie ahead, including low interest rates, limited economic growth and turbulent financial markets.

Our financial results and the economic and market conditions are set out in detail in our integrated Annual Report. In this *Report to Society*, though, we want to focus more on other aspects of our operations.

We continued to develop our sustainable approach this year.

We have now come through the difficult period and, armed with the lessons we learned from the crisis, can focus entirely on the future.

Sustainability to us is all about KBC's ongoing and independent ability as a bank-insurer to meet the needs of society and the expectations of all our stakeholders, whether they be our clients, investors, government, shareholders or, of course, our employees. It is closely entwined with the fourth pillar of our strategy, namely [our role in society](#). We want to fulfil that role with total conviction, because sustainability needs to be enshrined in our DNA, our values and our culture. Responsible bank-insurance has to be embedded in our activities.



Johan Thijs and Thomas Leysen

To achieve this in practice, we have decided to focus on four areas:
[financial literacy](#), [stimulating entrepreneurship](#), [environmental responsibility](#) and [population ageing or health](#).

It was this desire to guarantee our sustainability – and by extension *our very existence going forward* – that made it such an important step for us to repay the remaining state aid to the Flemish Regional Government. We remain grateful to the government for believing in the resilience of our group. We have now come through the difficult period and, armed with the lessons we learned from the crisis, can focus entirely on the future.

We are convinced that by pursuing our banking and insurance operations in a sustainable and socially responsible way, we can build on the trust of our stakeholders and enhance our competitive position. This will enable us in turn to create the sustainable and profitable growth we need if we are to go on meeting society's changing needs and requirements.

We hope that this *Report to Society* will give you a clearer picture of how we incorporate sustainability into our products and services, how we address the challenges of today, and how we are preparing ourselves for the challenges of tomorrow.

Johan Thijs
President of the Executive Committee

Thomas Leysen
Chairman of the Board of Directors

Results 2015

We ended 2015 with a profit of 2.6 billion euros (2.2 billion euros if we eliminate a number of extraordinary items in the final quarter), an impressive performance that puts us among the best in Europe and illustrates that our client-centric business model is proving its worth. We recorded sound commercial results in all our core markets and core activities. [Specifically speaking, we granted more loans to our clients, saw an increase in deposits, and witnessed a rise in the number of insurance products taken out by clients in virtually all our core countries.](#) Ireland, too, recorded a profit, a feat achieved one year ahead of schedule.

Our sound bank-insurance model, solid risk and capital management practices, unrelenting focus on cost containment, and excellent cost of credit have enabled us to amply exceed the minimum capital requirements. At year-end 2015, the key capital ratio* came to a robust 15.2%, much higher than the 10.25% required by the European Central Bank and National Bank of Belgium.

Our healthy insurance business and sound capital and risk management practices are reflected in a Solvency II ratio of 231% at year-end 2015, clearly ranking KBC Insurance among the better-capitalised companies in Europe's insurance industry.

We are extremely satisfied with our results, but are very much aware of the challenges that lie ahead in 2016: turbulence on the markets, the climate for interest rates and changing consumer behaviour.

Repayment

In December 2015, KBC repaid the remaining state aid of 2 billion euros (plus a 50% penalty) to the Flemish



Regional Government. This payment of 3 billion euros meant that we had fulfilled all the outstanding financial obligations imposed on us during and after the financial crisis. In the end, the Flemish and Federal governments will have received a very good return on the financial support they provided KBC (see page 12). It was possible to make this repayment thanks to the [strong capital base](#) we have built up in recent years. Even after repaying the Flemish government, we remain well above the minimum capital requirements set by the European Central Bank and the National Bank of Belgium.

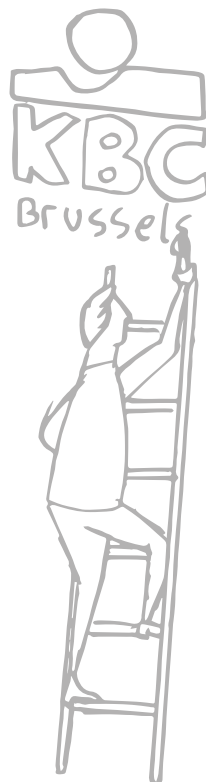
Where we stand today is [also thanks to the resilience and loyalty of our staff and to the confidence of our shareholders.](#) What it means to us is that we have put the difficult period of the financial crisis behind us once and for all and can now focus with total confidence on the future. We aim to grow our bank-insurance activities sustainably and to focus on supporting the local economies and clients in the countries where we operate.

* The group's common equity ratio (Basel III, phased-in under the Danish compromise)

KBC Brussels

KBC and CBC joined forces in Brussels to launch a new, unified brand in 2015. 'KBC Brussels' is a challenger in the local market, with an 'urban', innovative image, its own CEO – Damien Van Renterghem – and with the power of a big company behind it. We see Brussels as a strong strategic growth pool (alongside Flanders and Wallonia) and will concentrate on the local economy there, just as we do in our other core markets. Brussels is the beating heart of the European Union and also of the Belgian economy. Yet it faces major social challenges too – challenges we want to meet, and which we actually view as opportunities.

Integration will take flexibility on the part of both KBC and CBC staff, but it is also generating a lot of energy: [everyone is up for becoming the *chou de Bruxelles*](#). How will KBC Brussels approach this? Clients in the capital tell us that they are most concerned about mobility issues, high rents and house prices, and support for businesses. That's why KBC Brussels is focusing on easy accessibility, while our team of experts will help clients find the finance they need for their homes and businesses.



ARGUS

As a bank-insurer, we want to support society and contribute actively to the transition towards a more sustainable economy. In our core business, for instance, we aim to heighten our focus on environmental sustainability and on a more sustainable economy. [Environmental responsibility is so important that we are integrating it into our core activities](#). We intend to develop products and services that have a positive impact on the environment. To achieve this, we decided to transfer the operation of ARGUS – KBC and Cera's independent environmental unit – to outside sustainability organisations.

We found the ideal partners in The Shift, Goodplanet and Natuurpunt to integrate ARGUS's projects and networks into their own activities.

ARGUS had been the flagship of KBC and Cera's ecological initiatives for 45 years. Following its creation in 1970, it evolved from a unique source of information and an educational body into an independent platform for consultation between different stakeholders on the development of a more sustainable society.

[We are proud of the results that ARGUS achieved in the course of those years](#) and are happy that The Shift, Goodplanet and Natuurpunt will now be able to build on all that know-how, experience and expertise. For our own part, we now face the challenge of incorporating environmental responsibility into all our activities.



How do we go about our banking and insurance business?

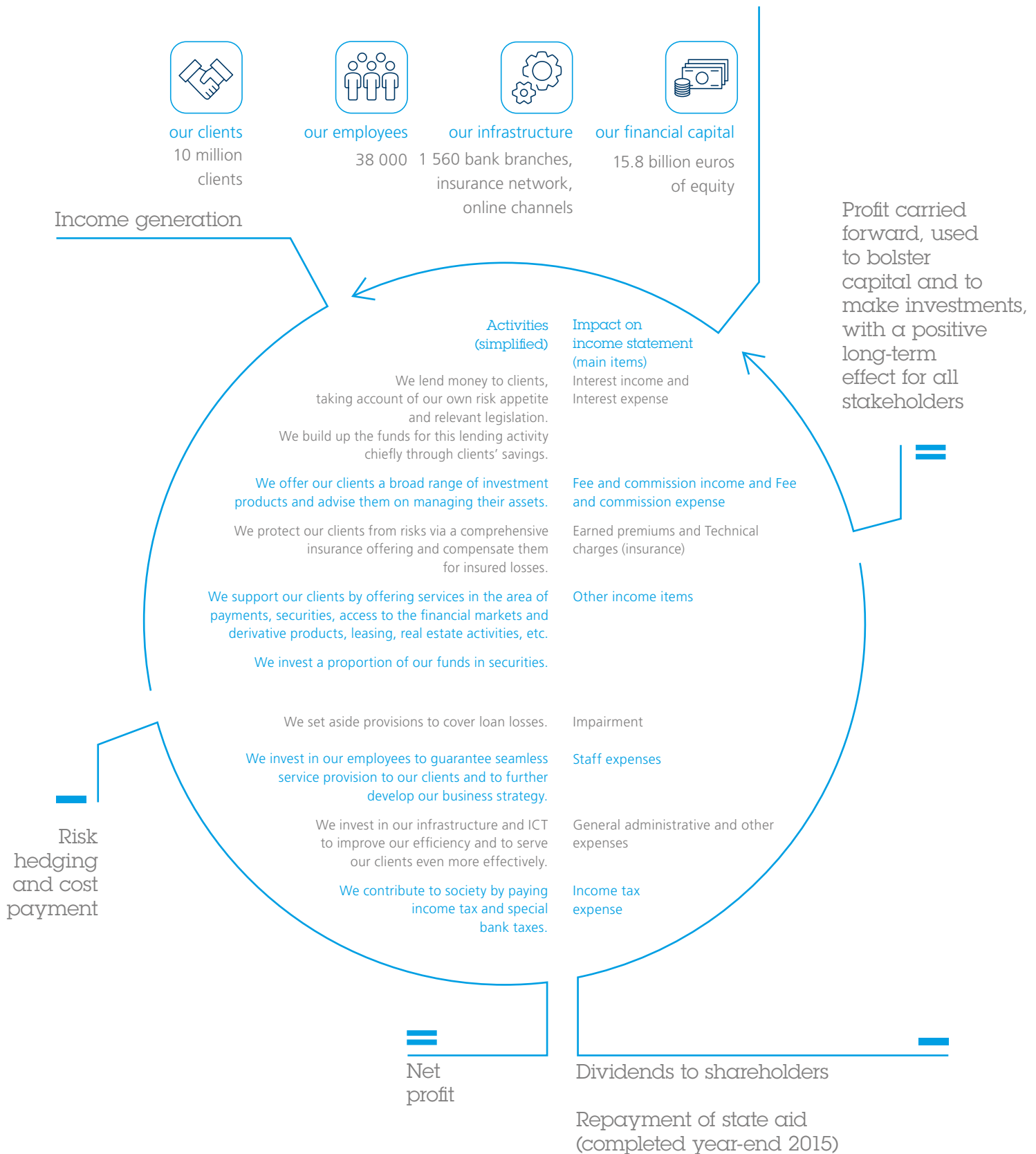
In our capacity as a bank, we ensure that our clients can use our savings accounts to put their money away safely. We also offer them a wide range of other savings and investment products. In this way, every client can grow their assets in keeping with their personal risk profile, and call on the expertise of our staff to assist them. We also see it as our task to contribute to general financial literacy and have taken a variety of initiatives in that field.

We use the money acquired through deposits to provide loans to individuals and businesses: in other words, we put the money to productive use in society. As a lender, we enable people to build a house or buy a car, for instance, and to create and grow businesses. We also invest in the economy indirectly through our own investment portfolio. Besides lending to individuals and businesses, we fund specific sectors and target groups, such as the social profit sector (local authorities, educational establishments, hospitals, and retirement and nursing homes).

As an insurer, we enable our clients to operate free of worry and to limit their risks. Prevention and insurance are, after all, two sides of the same coin. Preventing accidents from happening in the first place is the best way to avoid human misery. But since they sometimes occur nevertheless, you need to be properly insured. At KBC, we focus on both aspects. On the one hand, we use our knowledge of the causes of accidents to help develop public accident prevention campaigns. And on the other, we work hard every day to ensure that we can continue offering the best insurance at a fair price. We also invest in efficient claims-handling, as that will always be the true litmus test of any non-life insurance policy.

When major accidents occur, we provide a team of external psychologists, while our own loss assessors pay home visits to both the victims of accidents and the people who cause them. In the case of serious workplace accidents, we also oversee the rehabilitation of victims.

At the same time, KBC continues to meet its responsibility as a loyal partner of hospitals, retirement and nursing homes, educational establishments and local authorities.





Driver of the economy

We stimulate the local economy in all our core markets. We do so structurally through our lending activities and our role as a solid employer of 38 000 employees, but we seek to support businesses in a more innovative way, too. In Belgium, this takes the form of things like our Start it@kbc programme in six cities, but also the Start it Fund launched by KBC Securities, which enables start-ups to raise capital to support their growth.

[Insurance plays an important economic role](#), too. It is the ideal way for our clients to protect themselves. For instance, without public liability insurance, businesses could not be run; without business interruption and loss of production insurance, business continuity could not be guaranteed; without fire insurance, property would not be protected; without industrial accident insurance, people would not be protected at work; and without income and health insurance, health care would become unaffordable.

Our focus on prevention and counselling and supporting victims has an economic relevance, too. We know from our accident data, for instance, that 40–60% of falls experienced by elderly people result in physical injury, and that 77% of old people who suffer a fall end up in A&E. Knowing this, we got together with the Flemish Judo Federation in 2015 to organise 51 sessions on minimising injury from falls, which were attended by 465 active over-55s. We will continue this collaboration in 2016. As of this year, we will also be presenting a number of policyholders with a free helmet following a cycling accident. We offer other practical aids in our online 'Mums Know Best Safety Shop'.

If, despite these efforts, a serious accident occurs, the after-effects can continue for some considerable time. To help reduce that period, we offer our policyholders a [counselling and support process](#). 232 policyholders took advantage of our psychological counselling services in 2015, while 117 used the follow-up service provided by our loss assessors.

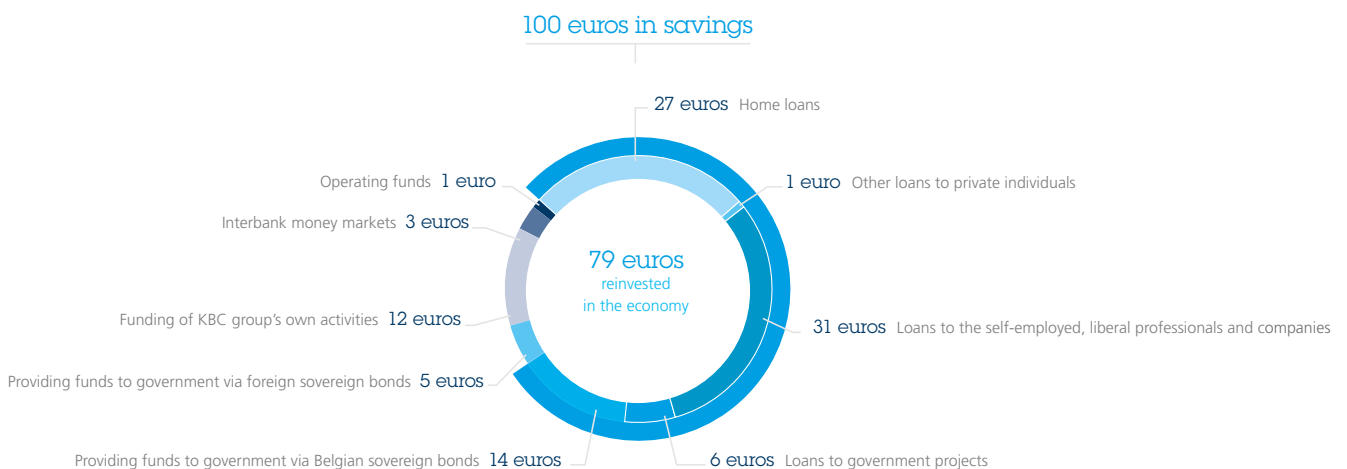


100 euros' worth of savings

We want to stimulate the local economy in all our core markets.

For every 100 euros that our clients save, we invest 79 euros back in the Belgian economy: 59 euros in the form of loans to private individuals and businesses, 14 euros through state bonds, and a further 6 euros in public-sector projects. Savings are important, but even so the money saved earns very little interest at present. This is not something under KBC's control. It is determined by low long-term market interest rates and the fact that there are costs involved in having savings available for immediate withdrawal and in protecting savers. What's more – and this is a choice made by KBC – we have a rigorous risk management policy and avoid any form of 'casino banking' involving our clients' savings.

The task of the insurer essentially boils down to the redistribution of pooled premiums to clients, policyholders or third parties who suffer (insured) loss or damage. In Belgium last year, KBC paid out 492 million euros to victims as part of its non-life insurance activities. This is a clear illustration of how this redistributive system supports the economy and positively influences our gross national product.





Sustainable and profitable growth

Board of Directors

KBC's Board of Directors draws up the strategy and general policy, in which the long-term vision, bank-insurance model and geographical focus on the core markets are the most important elements. We pursue sustainable and profitable growth through an efficient, client-centric organisation founded on stringent risk management. Our employees are our most important asset in this regard, which makes their satisfaction a key factor in our overall operations.

Shareholders

A special feature of our shareholder structure is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which held just over 40% of our shares at the end of 2015. These stable shareholders extended the 'KBC Group anchoring agreements' in 2014, confirming their intention to continue to act in concert with regard to KBC Group NV for the next ten years, and ensuring the ongoing stability of our shareholder structure. In this way, our core shareholders are supporting the further sustainable development of the group.

Clients

We build long-term relationships with our clients. That means pursuing long-term stability rather than chasing high returns in the short term, possibly at the expense of excessive risks. We are dedicated to meeting our clients' financial needs, with proactivity and respect for individual choice as our guiding principle.

Risk management

Stringent risk management is an absolute precondition in terms of guaranteeing sustainability. We observe solid risk, capital and liquidity standards. Even after repaying the state aid in full, we still boast a capital ratio of 15.2% (common equity ratio, Basel III, phased-in), well above the required minimum ratio of 10.25%. We have also fully embedded our risk management in our strategy and

Sustainable, profitable growth is **vitaly important**. As a bank-insurer, it means that we endeavour to optimise our profits over the long term in order not only to safeguard our future but also to create added value for society. We do not pursue high short-term returns that come with excessive risks. We have strict risk management processes in place and are transparent about our policy, our decisions and our products and services.

processes, clearly specifying where our risk appetite is going, performing risk scans, and subjecting the planning process to stress tests. These are just a few examples, but more detailed information on risk management can be found in our Annual Report. In addition to the risks inherent in our activities as a bank-insurer, we have identified a number of challenges and priorities for our group:

- The worldwide economic situation, especially the economic situation in China.
- The low levels of interest rates and changing consumer behaviour, which is strongly influenced by new technologies and digitisation.
- Increased regulation in areas such as client protection and capital requirements.
- Cyber risk.

Generating sustainable, profitable growth and **contributing to a more sustainable society** go hand in hand. This means that, as a bank-insurer, we also attempt to limit any negative impact on society and so have drawn up a number of stringent policy guidelines, including those that ensure we adopt a consistent position towards certain sectors and/or products. We also aim to boost the positive impact we have by focusing on four socially relevant themes that exert a leverage effect. These themes are 'financial literacy', 'stimulating entrepreneurship', 'population ageing' and 'environmental responsibility' (*more information on these areas of focus can be found on pages 18–21*).

Our policy guidelines

When carrying out our activities, we respect prevailing laws and regulations, but also impose stringent rules on ourselves in terms of ethical behaviour, openness and transparency, discretion and privacy. All our policy guidelines in this regard can be found at www.kbc.com/en/policies.

Codes of conduct and ethical policy

The code of conduct for our employees states that we put our clients' interests first, that we are fair and correct, that we show and take responsibility, and that we place great importance on discretion. We respect the dignity of our clients and colleagues at all times.

Combating money-laundering and fraud

The anti-money-laundering and fraud policies are, of course, directly linked to our activities as a bank-insurer. Some of these policy guidelines have been firmly established for years and are part of our DNA, our culture, and the values by which we act both internally and externally.

KBC Asset Management uses *proxy voting* to participate in the general meetings of companies in which it invests via funds. It votes in the interests of the client as shareholder, which might differ from KBC's own interests. In this way, KBC meets its responsibility and encourages the companies in which we invest to become more transparent and to adhere to the principles of good corporate governance.



Lending

We have adjusted our lending policy, for instance, and have drawn up a *set of sustainable and responsible lending principles*:

- Fundamental principles for sustainable lending: these are an initial translation of our sustainability principles to the area of lending, and form the anchor-point for all other standards.
- Zero tolerance: KBC rules out lending to certain companies altogether. We do not want to be involved in their activities, as they infringe the basic rules of social responsibility and sustainability.
- Restrictions on lending in relation to certain economic activities that KBC views as controversial. Some sectors are excluded from funding, others can only obtain limited funding if certain conditions have been met.

Further steps

But we want to go further than the legal and sector-specific regulations. Since we are incorporating sustainability more and more into our core business, we have also taken new steps in this area in recent years. We have our *blacklist for controversial weapons*, for instance, which means any relationship whatsoever with a blacklisted company is prohibited. The same goes for businesses on the 'worst offenders' list, i.e. companies that infringe the *UN Global Compact Principles*.

Monitoring and compliance

Our existing policy guidelines are subject to continuous scrutiny and are adjusted wherever necessary to enable us to continue meeting changing requirements. We will update these guidelines in the course of 2016 so that they continue to meet society's current expectations. We will also continue to take steps to communicate as transparently as possible on all our policy guidelines, services and products.



Overview of state aid repayments

Thanks to the strong capital base we have built up in recent years, we were able to repay the outstanding state aid in full at the end of 2015. We received 3.5 billion euros in state aid from both the Belgian Federal Government and the Flemish Regional Government. When penalties and coupons are included, we ended up repaying over 13 billion euros. We can safely say, therefore, that supporting KBC has not cost the taxpayer a cent but instead has generated a hefty gain.

Even after repaying the state aid, we remain well above the minimum capital requirements set by the European Central Bank and the National Bank of Belgium. This gives us confidence for the future, so that we can fully

focus on further growing our activities and supporting the local economies in our core markets.

| (in euros) | Total for 2008 – year-end 2015 |
|--|--------------------------------|
| Belgian Federal Government | 3 499 999 977 |
| Flemish Regional Government | 3 499 999 977 |
| Penalties | 2 274 999 985 |
| Coupon paid to Belgian Federal Government | 841 039 073 |
| Coupon paid to Flemish Regional Government | 1 064 110 786 |
| Sub-total | 11 180 149 798 |
| CDO guarantee agreement | 1 911 355 956 |
| Total | 13 091 505 754 |

Overview of taxes paid

| (In euros) | Income tax | Non-recoverable VAT and other miscellaneous taxes | Bank tax and deposit guarantee scheme | Total |
|----------------|--------------------|---|---------------------------------------|----------------------|
| Belgium | 254 000 000 | 97 000 000 | 229 000 000 | 580 000 000 |
| Czech Republic | 95 000 000 | 43 000 000 | 35 000 000 | 173 000 000 |
| Hungary | 18 000 000 | 21 000 000 | 130 000 000 | 169 000 000 |
| Slovakia | 27 000 000 | 16 000 000 | 18 000 000 | 61 000 000 |
| Bulgaria | - | 5 000 000 | 3 000 000 | 8 000 000 |
| Ireland | 30 000 000 | 11 000 000 | 2 000 000 | 43 000 000 |
| Total | 424 000 000 | 193 000 000 | 417 000 000 | 1 034 000 000 |

Our role as employer

The attraction we want to exert on our (current and future) employees is another aspect of sustainability. It is they, after all, who make our future possible. We therefore invest extensively in building skills and developing talent, we have a work@bility programme to combat stress and burn-out, and we encourage a good work-life balance. We have developed a multi-choice programme for our older employees, who can (but are not obliged to) opt for lighter duties or reduced working hours, or to put their knowledge and experience of work to the benefit of a non-profit organisation. This Minerva programme is unique in the Belgian labour market.

At the beginning of October, over 38 000 employees were invited to participate in the 'Group Employee Survey', with 80% actually doing so. It is not easy to compare the results for 2015 with those for 2014, as we adopted a new methodology and a new questionnaire in 2015. The survey sets out primarily to measure involvement.

If we compare ourselves with other similar-sized organisations, we score 4% higher than the average in Belgium and, for the group as a whole, 1% above the European average in the financial sector. General satisfaction with KBC is measured, as is the atmosphere within the team. In this regard, 79% of staff rated themselves as 'satisfied' to 'very satisfied'.

In Belgium, we [score particularly highly in terms of staff collaboration](#). Colleagues respect one another, share knowledge and best practices, and cooperate to achieve their goals. We come well ahead of the national average in this respect. There is still room for improvement, however, in how the different departments work together. We are also satisfied with the content of our work, enjoy what we do and think that our job is well matched to our personal qualities. We appreciate the autonomy to do our work and are satisfied with the learning and development opportunities and the associated support offered by KBC.

KBC [receives a distinctly lower score](#) than comparable organisations in Belgium [for diversity and inclusion](#). Consequently, a lot remains to be done in this regard.





What do our clients want?

Our clients don't dream about bank or insurance products, but rather about a house, a holiday, a car or a business of their own. Things for which they need money, and possibly the services of a bank. And once they have those things, they want to be certain they won't lose their investment, so they look for insurance too.

Free choice

Clients are and will always be vital to our business. They want the same thing today as they did in the past, i.e. a banker or insurer they can trust, and one who offers them solutions which they themselves might not have thought of yet.

The difference today is that they want this through a variety of channels and **when it suits them best**. They might prefer to make mobile payments in the restaurant, for instance, to bank online from home, or to receive advice from an insurance agent or an investment expert in a branch or remotely from a Regional Advisory Centre.

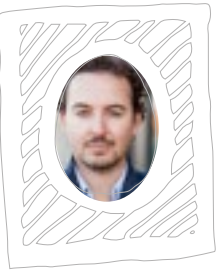
Each client has a free choice every day. We want to create a pleasant client experience:

- by ensuring seamless communication between our channels: bank and insurer, branches and agencies, regional advisory centres and digital channels. Such communication ensures that we recognise clients regardless of the channel they use so that we don't have to ask them for the same details all the time. In short, we make access to us as easy and convenient as possible.
- by analysing the available client data in an intelligent and extremely thorough way – but only after receiving our clients' permission – so that we can make them an even better offer, before they even ask. Our aim is to surprise them with rapid, inventive proposals that are tailored to their needs and that offer added value.

User-friendly products and services

There are many aspects to facilitating ease of use for the client, but **digitisation** is the crucial one. How rapidly is KBC digitising in Belgium?

- Online banking and insurance: in 2014, we started work on the design of a new and user-friendly online concept called *KBC Touch*. Almost a million clients switched to the new system in 2015. We are currently working on an adapted version for blind and partially-sighted clients.
- Smartphones and tablets: clients do not need their bank card to use the *KBC Mobile* Banking app, while the *KBC Invest* app lets them closely track their investment portfolio whenever they like. A total of almost 450 000 clients have now signed up for our mobile banking services.
- *Contactless payment*: it has been possible since 2015 to pay amounts under 25 euros simply by holding up a bank card to the contactless logo on a payment terminal (without having to enter a PIN). It was a first in Belgium.
- In 2015, KBC set up Regional Advisory Centres to support bank branches and to advise clients, including through the use of *video chats*. The centres are open from 8 a.m. to 8 p.m. and on Saturday mornings.
- We opened our *FarmCafé* digital platform for farmers and horticulturalists at the beginning of 2015.
- Communication capabilities: KBC can be reached by e-mail, but also via *Facebook* (at the beginning of January 2016, we had 54 190 followers) and *Twitter* (8 345 followers). What's more, KBC is present on *LinkedIn* (25 432 followers), *Instagram* (1 821 followers) and *Snapchat* (584 followers).



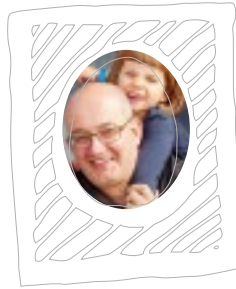
Smart data analysis and trust

The more effectively we analyse our client data, the better we can serve our clients. The better we help them, the greater their trust. The only problem is that clients only want us to analyse their data once they already [trust](#) us. How do we get around this paradox?

By implementing a comprehensive privacy policy, one where [the client sets the limits](#). Because privacy is not only an objective concept, defined by law, it is also a subjective one: what one client considers to be the most normal thing in the world is perceived by another as going too far.

For that reason, we want to let the client decide what we can do with their data. In the process, we want to [communicate in a transparent way](#) and to provide our clients with a clear overview of what privacy entails, so that they never risk getting lost in the detail and can adjust their choices at any moment.

Freedom of choice for clients combined with our own transparency will make the difference. It won't be easy, by any means, but we're up for the challenge. Because we view smart data analysis allied with effective privacy protection as the ideal opportunity to enhance our clients' trust.



Satisfaction

Among bank clients

In 2015, KBC surveyed 49 607 Belgian bank clients – private individuals and business-people drawn from various age groups, provinces and regions.

71% of clients rated themselves as generally satisfied to very satisfied with KBC; 6% were dissatisfied. A third of our clients would definitely recommend KBC to others; 15% would tend not to.

When asked about our strengths, clients frequently referred to our employees (competent, friendly, constructive). They also highlighted our investment advice and our offering of online tools. Our clients expressed the greatest satisfaction with the Private Banking branches – 88% gave us a score of 8, 9 or 10 out of 10. KBC Mobile Banking (87%) and our KBC Bank branches (83%) also received an excellent score. Business support via the KBC Corporate Helpdesk, KBC-Online for Business and KBC Business Banking also recorded high scores (77%, 76% and 75% respectively). Clients appreciate our digital innovation too, in the shape of KBC Touch and our website for retail clients (both 74%).

The main suggested improvements were opening times and bank charges (both the level of these charges and transparency about them). The low level of interest rates on savings was also mentioned. Older clients in particular referred to reduced personal contact, now that ATMs and online banking have become commonplace and staff regularly change job. Clients also expect even more unprompted suggestions of bespoke products and services.

Claims-handling at KBC Insurance

KBC commissioned a satisfaction survey in 2015 among 1 442 Belgian clients who had made a claim under their insurance policy (relating to legal assistance, hospitalisation, fire, motor, family, industrial accidents and bodily injury).

The general level of satisfaction remained high, with **8 out of 10 clients rating themselves satisfied with the way KBC handled their recent claim**. Only 6% were dissatisfied. Half of the surveyed clients said that, based on their recent experience, they would definitely recommend KBC Insurance to their friends and family (an increase for the third year in a row), whereas 12% would not.

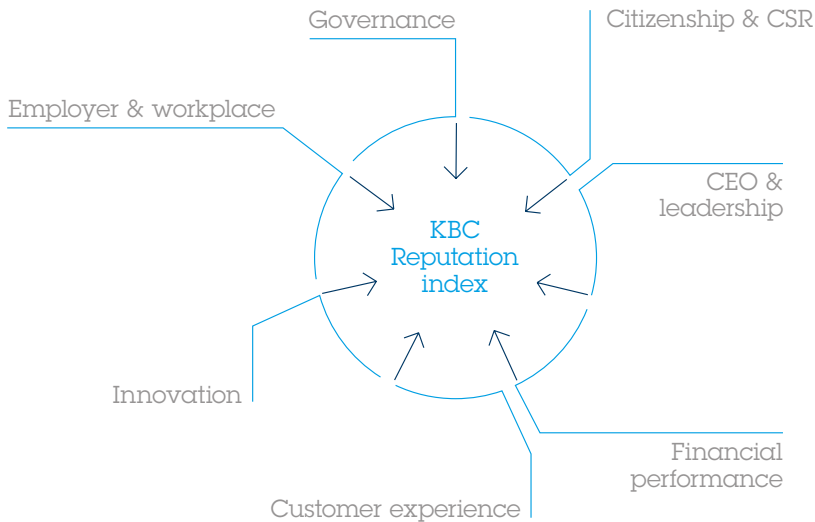
As in 2014, the positive results were linked to a positive client experience, both when registering the claim and during its further processing. KBC clients were satisfied with their insurance agent (91%) and with the claims department (85%). Swift, seamless and correct processing together with a good contact person (helpful, knowledgeable, accessible and friendly) were cited as strengths.

Insofar as clients expressed any dissatisfaction, this related to the amount paid out (chiefly with regard to fire insurance) and to the length of the process. Communication on the part of both the insurance agent and KBC's claims department did not always live up to **clients' expectations either: they would like to be kept informed in the course of the process**, an aspect which we are now focusing on.

When clients aren't satisfied,

they can discuss their complaint at their bank branch or insurance agency. KBC also has a Complaints Management Department, which examines complaints and also uses them to draw up suggested improvements. For this reason, KBC actually welcomes complaints, simply because it's only when we know that something is going wrong that we can rectify it.

Reputation study



The 2015 study revealed that KBC's **overall reputation was stable** in Belgium, the Czech Republic and Bulgaria, while there were positive trends in Slovakia, Hungary and Ireland.

The results of the study not only give us a picture of how KBC is *perceived* by both clients and non-clients, they also tell us where we need to focus as a bank-insurer now and in the future. The table below contains an overview per core market of the top-three areas of focus.

We organise an annual reputation study in each of our core markets plus Ireland, focusing on seven areas with a substantial impact on our reputation.

The study also helps us determine where we ought to communicate better or differently, so that we can retain the trust of existing clients and earn the trust of new ones.

The key areas on which we need to focus as a bank-insurer

| | Belgium | Czech Republic | Hungary | Bulgaria | Slovakia | Ireland |
|-------------------------------------|---------|----------------|---------|----------|----------|---------|
| Stability of banks | ●●● | ●● | | | ●● | ●●● |
| Creating and maintaining local jobs | ●● | | ●● | ● | ●●● | |
| Adapting fee and charges structure | ● | ●●● | | | | |
| Responsible lending | | ● | ●●● | | ● | ● |
| Good service | | | ● | | | |
| Acting transparently | | | | ●●● | | ●● |
| Financial strength | | | | ●● | | |

●●● = Most important focus



We have to ensure that sustainability in its full sense is genuinely embedded in our core activities if we are to build our credibility and trust as a bank-insurer.

To help achieve this, we have set up an *Internal Sustainability Board*, whose members include senior managers from the various business units and country teams, and which is chaired by our CEO, Johan Thijs. We are aware that we have to look in greatest depth at those aspects that relate most closely to our core activities, and to reflect this, we have identified four focus areas in consultation with the Internal Sustainability Board.

Three of these ('financial literacy', 'environmental responsibility' and 'stimulating entrepreneurship') are situated at group level. Each entity can then choose between 'health' and 'population ageing' as its fourth area. We have chosen 'population ageing' for Belgium.



Financial literacy

Financial literacy has three dimensions for KBC:

Financial advice

Helping clients make the right choices through good and transparent advice, and clear communication.

Financial behaviour

Using analysis to understand and respond to client behaviour more effectively.

Financial education

Raising our clients' understanding of financial concepts and products. And that also means young people, since tomorrow's financial consumers should be able to make carefully thought-out choices. To ensure this happens, KBC supplies [teaching packs free of charge](#).

We also launched an app for two different target groups in 2015 (the under-12s and over-18s), which aims to teach children about money in a fun way, and to offer young people an attractive guide through the financial labyrinth of adulthood.

The [KBC Housing Guide](#) takes clients through the entire process of buying, renovating or building, and insuring a home. Our [Guide to Inheritance and Estate Planning](#) has been a valued source of information for many years to clients considering this issue. KBC also organises an annual [Investor Race](#), where entrants compete to put their virtual start-up capital to best use. Last year's Investor Race was another undisputed success, attracting over 20 000 entrants – KBC clients and others – to two competitions, one for the under-25s and one for the over-25s.

FOCUS

on society

Environmental responsibility

Environmental responsibility to us means continuing to reduce our own ecological footprint and creating a variety of initiatives and targets to achieve that. It also means, however, taking further steps to develop products and services that have a positive impact on the environment.

Own footprint

We reduce our own ecological footprint through continuous efforts and innovative projects. We take a large number of measures, for instance, to make existing and new buildings as energy-efficient as possible. We are also [optimising our energy consumption](#), working to reduce paper and water consumption, and reducing the amount of waste we generate. We can only continue to reduce our own ecological footprint if everyone at KBC does their bit. To that end, we have also linked our environmental targets to our employees' variable remuneration, so that we can work together towards a more climate-friendly workplace.



The new loan is intended to meet the complex funding issues associated with sustainable and energy-efficient renovations to apartment buildings. It is often the case that neither the owners association nor the individual owners have the funds needed to finance the renovation work. What's more, it is far from straightforward for the different owners to reach a joint decision regarding renovation costs of this kind. It is a technical matter, involves a lot of money, and the administrative form of these associations hinders rapid decision-making. The KBC Renovation Loan for Owners Associations is a ready-made solution for all concerned.

Renovation loan for owners associations

We are also keen to embed environmental responsibility in our core activities. A first example in this regard is the KBC Renovation Loan for Owners Associations. At the beginning of 2016, KBC [launched a loan to help owners associations cover sustainable and energy-efficient improvements to their apartment buildings](#).

They stand to lose out if they delay investing in their building's [climate performance](#). With effect from 2020, for instance, it will no longer be possible to rent out an apartment located in a building that does not meet the insulation standard.

Sustainable repair network

Belgian automotive businesses (tyre firms, garages, bodyshops and windscreen repairers) that work in an environmentally aware way can now apply for the 'Sustainable Repair' label. KBC has been involved in the development of this new system in Belgium right from the start. We were the first insurer to have its loss assessors ensure that written-off (total loss) vehicles are scrapped at a processing plant accredited by OVAM (Public Waste Agency of Flanders). KBC Insurance is also delighted that OVAM has agreed to join the 'Sustainable Repair' scheme. It can only be good for sustainability when government agencies and socially responsible businesses join forces.

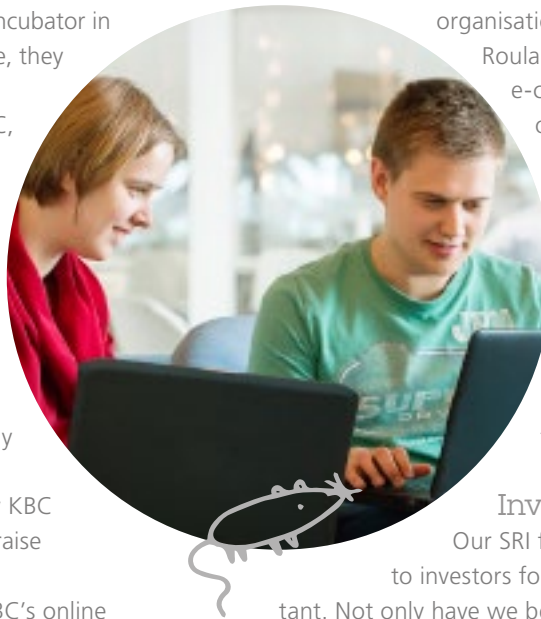


Stimulating entrepreneurship

Entrepreneurship, innovative thinking and economic growth go hand in hand at KBC. Entrepreneurship is in our genes, and by supporting innovative ideas and projects, we can contribute to economic growth, which is one of our fundamental objectives.

Support for start-ups

- **Start it @kbc:** the first start-ups found a new home at the KBC Tower in Antwerp in 2014. Since then, we have also created places for a total of 240 enthusiastic young entrepreneurs in Hasselt, Ghent, Leuven, Brussels and Kortrijk, making KBC the biggest incubator in Belgium. In addition to office space, they can count on receiving advice and coaching from Cronos, Flanders DC, Accenture, Mobile Vikings, iMinds and KBC itself. The first intake of young entrepreneurs and their ideas have since developed into viable businesses that are ready to take their next step.
- **Start it Fund:** KBC Securities launched the KBC Start it Fund in January 2016. The fund will initially have 10 million euros available, provided by KBC and managed by KBC Securities. Start-ups can use it to raise capital to support their growth.
- **Bolero Crowdfunding:** Bolero – KBC's online stockbroker – launched Bolero Crowdfunding to help start-ups, which often struggle to find funding through traditional channels. The idea is to help new businesses and support the local economy.



- For merchants who want a basic webshop of their own, we can offer **KBC Clickshop** to get them started, while those who employ the services of a web designer to create their website can incorporate the KBC Paypage.
 - KBC, in collaboration with the business organisation UNIZO and the publisher Roularta, rolled out a national e-commerce platform at the start of this year. Called '**Storesquare**', it is tailored to the needs of local businesses and SMEs.
 - In the meantime, we have also opened **FarmCafé**, our digital platform for farmers and horticulturists. They can look for ideas and inspiration there, and get expert advice from 20 organisations.

Investing more sustainably

Our SRI funds offer an excellent alternative to investors for whom sustainability is important. Not only have we been the market leader for funds of this type for many years, we are also **constantly developing new forms of investment** to meet new needs. A fine example in this regard is KBC Eco Fund Impact Investing, which invests in companies that contribute to sustainable development and is built on the interaction of economic development, social development and environmental protection.

KBC Asset Management works together with independent experts to identify and select companies that generate the most positive social and/or environmental impact via their offering of products and/or services.

Encouraging digital commerce

- More and more people are buying online, yet 70% of Belgian businesses still don't have a webshop. To lower this virtual threshold, KBC launched the KBC **PopUpWebshop** in Belgium in 2015. Ten businesses were given the opportunity to offer their products online, with KBC taking care of the webshop, payment and delivery features.

Population ageing

People are living longer, which is obviously a reason to celebrate. It also means, however, that we need to adjust our policy and our range of products and services. We are preparing ourselves for the new society, where at least one client in three is aged over 60 and our employees too will have to work for longer. Grey is the new colour.

Silver test

We already have some 600 000 clients aged 65 or older, and their number is set to rise. So the first thing we need to do is to carry out a *silver test* on KBC in its present form. Are our buildings accessible? Is our lettering legible? Are our apps suitable? And, of course, are our products *silver-proof*? We're working on this silver test right now.

Adapted products

- **Care plan:** for many people, increased life expectancy will herald a period in which they will require care. The KBC Care Plan enables our clients to insure against the high and rising costs that care can bring.
- **Hospitalisation insurance:** the older we get, the more likely it is that we will be admitted to hospital from time to time. KBC attaches great importance to the client's experience and works with AssurCard, which means KBC can pay the hospital directly.
- **Funeral insurance:** some of our older clients worry about the cost of their funeral. By taking out funeral insurance, they can avoid leaving their close relatives with financial problems, due to the fact that we pay the costs of the funeral directly to the funeral director.

Innovative project

When our clients think about old age, they ask questions like 'Will I be able to stay in my home?'; 'Will I get the care and comfort I need there?'; 'Will I still see people?'; and 'Will I be able to afford it all?' KBC has responded by focusing on these four themes.

- The **financial aspect** is obviously our core skill, but we have to think creatively about that too. Many elderly people own their own homes, so we are now looking at ways of converting some of that property into liquid capital.
 - **Financing and insuring homes** is also familiar territory for a bank-insurer. When it comes to old age, however, there are lots of possibilities, including staying in your own home for longer, 'granny flats', co-housing, and sheltered accommodation. Our clients expect to receive clear information and advice in this regard, which is why we organise theme evenings on the various housing options.
- The third theme, **care and comfort**, does not form a direct part of our business and so it makes sense to cooperate in this area with external partners. Do people need a package combining nursing care, domestic help, gardening, etc., with financial advice? That's one of the things we're looking into right now.
- The fourth theme is the **importance of social contact**, a key element raised in conversations with our clients. This too is not an obvious area for us, but we are nevertheless looking for ways to organise social contact. Our 'Touch' sessions for retired people and the fall-prevention classes we organised in collaboration with the Flemish Judo Federation are a couple of examples.





Playing our part in society also means that we want to support projects that have a positive impact on that society. We want to be close to people and to have a good sense of what kind of things concern them.

For detailed information on market conditions and the financial results of our business units, readers should refer to our Annual Report. In this Report to Society, we focus instead on projects and initiatives that offer social support.

Belgium

Projects

in our society

Belgium

Based on this commitment, KBC engages primarily in two themes in Belgium that affect many people: [road safety and the fight against cancer](#).

We are also committed to helping disadvantaged and vulnerable people. We focus in the first instance on employment, training and skills-building initiatives, especially in areas where we have a strong head-office presence, such as Brussels, Antwerp and Ghent.

What's more, as in previous years, we support a number of community projects that have a positive impact on society, including *De Vaartkapoen*, *Habbekrats*, *Toekomstatelier*, *Awel*, *Bonnevie*, *Heksenketel*, *De Sleutel*, *Atelier Groot Eiland*, and many more besides.

BRS

We are further consolidating our collaboration with BRS, which dates back for many years now. BRS was founded over 20 years ago as the 'Belgische Raiffeisenstichting' (Belgian Raiffeisen Foundation), with the goal of improving the quality of life of poorer people in the Global South through [microfinance and micro-insurance](#).

Friedrich Wilhelm Raiffeisen's slogan 'We do together what we are too small to do alone' still sums up BRS's mission: to improve people's quality of life not only through money, but above all with advice and in dialogue with the relevant partners – in other words, on a cooperative basis. Agriculture is plainly a pinch-point when it comes to microfinance and microinsurance. BRS is an organisation that offers practical support and hence solutions in both areas.

Its partnership with both Cera and KBC enables BRS to combine Cera's cooperative vision with KBC's bank-insurance know-how and experience. Voluntary work by KBC employees and members of the BRS Institute means that BRS can work banker to banker and insurer to insurer.

In 2015, four formidable KBC women spent time in Senegal, Rwanda, El Salvador and Cameroon to provide training and advice based on their personal experience to their counterparts at microfinance institutions. Half of the time they spent there was their own, while the other half was working time. KBC donated a total of 507 person-days to BRS in 2015.



Czech Republic

The primary focus at ČSOB is on [socially responsible enterprise, education, diversity and the local community](#). Examples include:

- the *Good Will Card*: a Mastercard on which 0.6% of every transaction goes to charity;
- environmental care: renewable energy at head office, reduced paper consumption and less waste;
- the fight to combat exclusion by equipping branches with wheelchair access, ATMs adapted to blind and partially sighted people, and the *eScribe transcription service* for people with hearing difficulties;
- the *ČSOB Education Programme*, the *Education Fund* and the *Blue Life Academy*, the focus of which is on financial literacy and collaboration with NGOs.

ČSOB also organised a wide-ranging debate in 2015 to discuss its sustainability approach with a variety of shareholders.

Hungary

Sustainability in its full sense is also embedded at K&H. Together with its Sustainability and Corporate Social Responsibility Steering Committee, it has incorporated various focuses into its policy, products, services, and social projects, including [environmental care, children's health, support for disadvantaged people, and financial education](#).

- The *K&H for the underprivileged programme* provides support to the most disadvantaged micro-regions in terms of children's healthcare, performing arts, pre-adult education and sports.
- K&H in Hungary has provided financial and material assistance to sick children for many years through the *K&H MediMagic programme*, which has won a number of prizes.
- K&H also promotes financial education by organising the national *K&H Ready, Steady, Money* contest, in which students' financial knowledge is tested.

Slovakia

In addition to environmental care, ČSOB Slovakia focuses strongly on [financial education](#).

- The *ČSOB Head and Heel Programme* is a contest where students are encouraged to find a creative approach to a financial topic.
- The *ČSOB Bratislava Marathon* has been a well-known event in Slovakia for years. Linked to a variety of charitable institutions, the marathon celebrated its tenth edition this year, with over 10 000 entrants. The ČSOB Foundation donated 1 euro for every registered participant.
- Through its *Employee Grant Programme*, ČSOB in Slovakia also supports a variety of NGOs that promote an active and healthy lifestyle, education and healthcare for children.

Czech Republic

Slovakia

Hungary

Bulgaria

Bulgaria

CIBANK and DZI also have a long history of involvement with Bulgarian society.

- **Financial literacy** and children's welfare are at the top of the agenda, and the *Blue Summer* campaign – where CIBANK employees give orphans an unforgettable summer experience – is well established. It is obvious from this campaign that children's welfare is a priority.
- DZI focuses on **children's welfare** too, but the emphasis in this case is on **road safety**. Projects are organised in collaboration with schools and tips provided to guarantee the children's safety.

A full programme has already been drawn up for 2016 featuring 'financial literacy', 'health' and 'road safety', the three main focus areas. CIBANK and DZI will, of course, also continue to support existing social projects, where their staff work alongside other volunteers.

Ireland

KBC Ireland's *KBC Brighter Futures* CSR campaign was developed to stimulate a **passion for sustainability** among KBC employees.

The campaign consists of several different elements, including:

- the *KBC Jack & Jill Children's Foundation*, which focuses on children's welfare
- an employees' volunteer campaign
- various initiatives led by the *Sport, Community, Welfare, Green Team and Young Leaders CSR teams*, each with its own focus.



Maintaining a dialogue with our stakeholders also means we have to evaluate the way we communicate each year and adjust it to take account of our stakeholders' needs. We limited last year's survey to Belgium and the Czech Republic. This year, however, we have extended our dialogue to include all our core markets, since it's important for us to discover what all our stakeholders consider important so that we can also meet their expectations.

This year, we surveyed clients and non-clients in all age groups – the public at large, in other words. Employee and client satisfaction are still measured separately (see pages 13 and 16).

In this Report, we publish the results of our survey in Belgium. On the corporate website we will publish an overview per entity of the issues to focus on and the strengths.

Customer experience

- 1 Offers quality products & services
- 2 Offers transparent products & services
- 3 Understands customer needs
- 4 Protects customers from unfair or inappropriate practices

Innovation

- 5 Develops products and services for problems of tomorrow

Employer & workplace

- 6 Treats its employees fairly and ethically
- 7 Offers job security

Governance

- 8 Behaves ethically
- 9 Is open and transparent

Citizenship & CSR

- 10 Pays attention to the environment, including climate change
- 11 Supports good causes to make a positive impact in local communities
- 12 Helps persons or organisations who care about how things turn out in society
- 13 Is here for a long term purpose to make a positive impact to the local economy
- 14 Proposes sustainable investment products

CEO & leadership

- 15 Risk is managed in a responsible way in order to protect the long term interests of all stakeholders

Financial performance

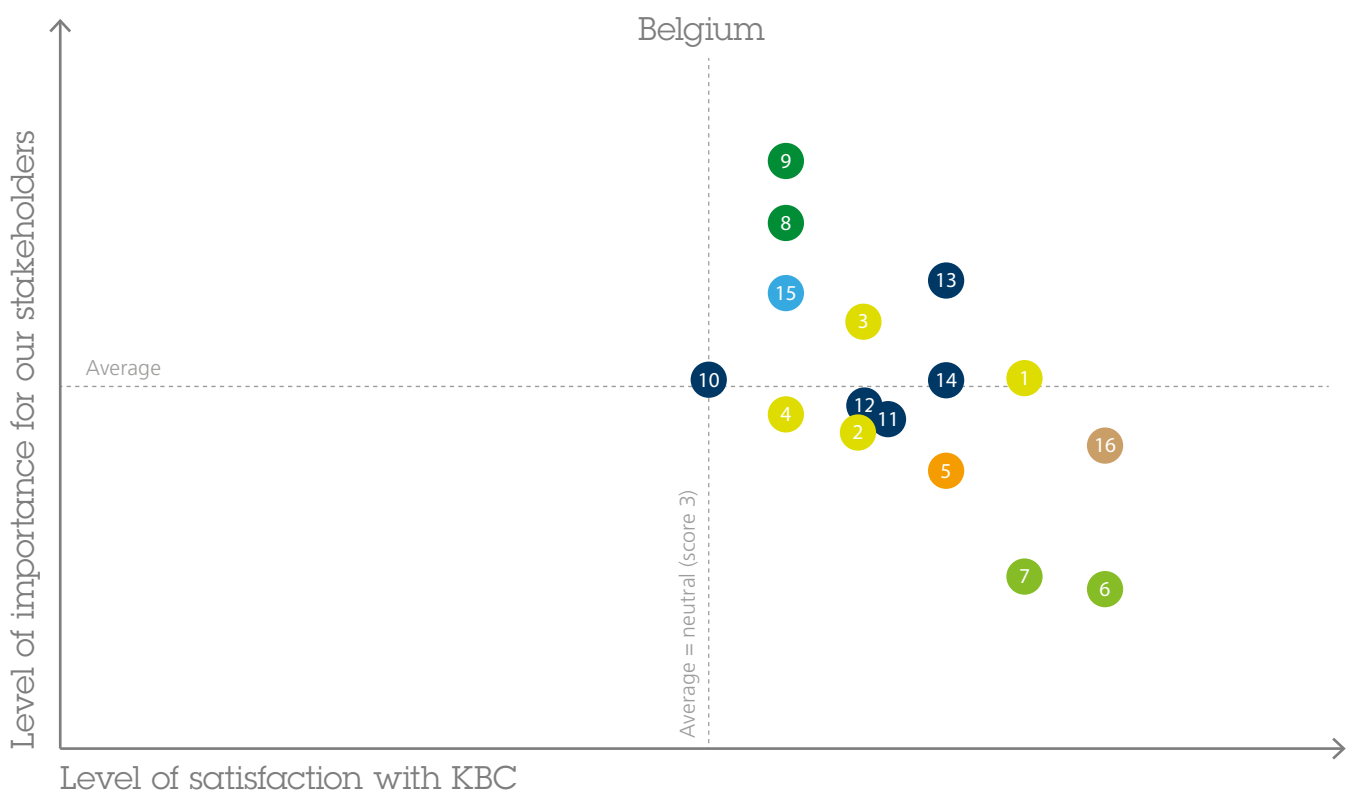
- 16 Is a solid company with good financial results

What do our stakeholders say?

This year's survey formed part of the overall international reputation study, which provided us with an overview of the opinions and concerns of the general public. Because of this broader approach, we optimised a number of aspects relating to sustainability. The participating stakeholders were asked to rate KBC on 35 items, 16 of which relate to sustainability.

The general public considers sustainability to be extremely important. This is apparent from the impact that the questions on sustainability have on the overall reputation score (in Belgium, for instance, sustainability items had a 48% impact on reputation).

The matrix below shows the importance to stakeholders (vertical axis) and KBC's performance in that regard (horizontal axis). KBC's performance is measured and expressed as the average score it received from all the participating stakeholders for each of the 16 sustainability items. The respondents rated KBC's sustainability performance on a scale of 1 to 5, where 1 means *totally disagree* and 5 *totally agree*. The results in the matrix show us that KBC scored well on all these sustainability items, as we had a score above 3 (neutral) for virtually all of them.





We also want to explore these results in greater depth to discover where our stakeholders think that we – as a bank-insurer – ought to focus more. The matrix below provides a sharper picture of these results, as we set out our performance using the percentage of respondents who rated us as *good* and *very good* (4 and 5 on a scale of 1 to 5). This enables us to zoom in on those aspects where we can take further action.

The survey revealed that we scored well on the following aspects:

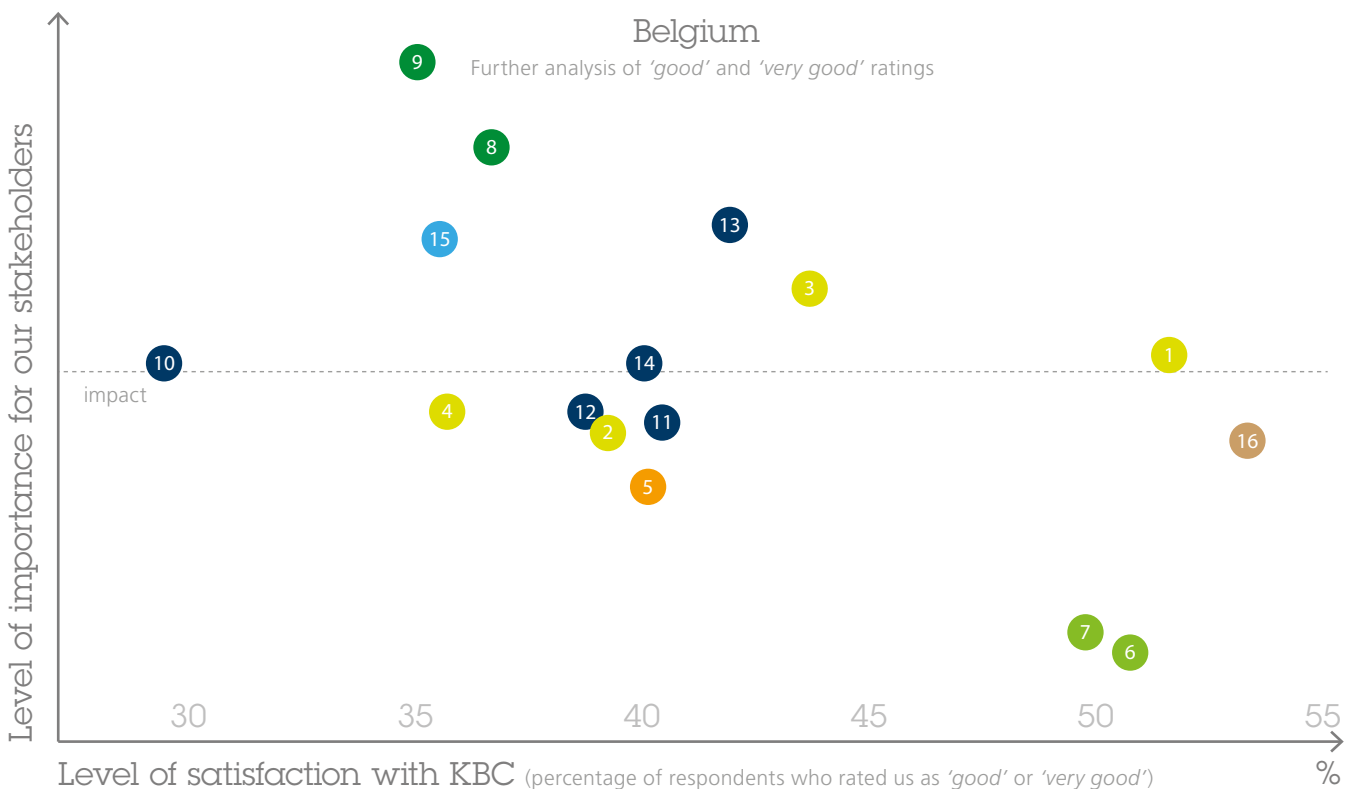
- Is here for a long-term purpose to make a positive impact to the local economy
- Understands customer needs
- Offers quality products and services
- Is a solid company with good financial results
- Offers job security
- Treats its employees fairly and ethically

The results also show, however, that we need to focus even more on the following points:

- Is open and transparent
- Behaves ethically
- Risk is managed in a responsible way in order to protect the long-term interests of all stakeholders
- Proposes sustainable investment products
- Pays attention to the environment

We acknowledge the points requiring attention and are acting to improve our performance in them. We also want to communicate even more transparently in this regard, so that the general public too can see our progress.

To give an example: even though our financial results, our strong capital base and the recent stress tests show that our responsible risk management has borne fruit, it still remains a sensitive issue in public opinion. We will seek by means of transparent communication and sound financial results to further build trust in KBC on the part of both clients and non-clients, so that we can alleviate these concerns.



The world of tomorrow starts today.
That notion lies at the heart of our business:
as a bank-insurer, our aim is to help shape,
finance and protect that world.
Not only are we prepared for it, we're looking forward to it.
So bring on the future!

Thank you
for looking
forward with us
to a positive
future.

Customer experience

- 1 Offers quality products & services
- 2 Offers transparent products & services
- 3 Understands customer needs
- 4 Protects customers from unfair or inappropriate practices

Innovation

- 5 Develops products and services for problems of tomorrow

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Financial performance

- 16 Is a solid company with good financial results



