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KBC responds to reports about changes within and between distribution channels

KBC is providing the following clarification in response to an article that appeared on Saturday in *De Tijd*.

During an Investor Day in June 2014, KBC outlined its ambitions for the future, i.e. KBC wants to put its focus and energy on its clients, to put its clients first (client centricity) and to build sustainable, long-term relationships with its clients.

To help achieve this ambition, a whole series of initiatives and projects were launched during the past year (also refer to the various press releases on www.kbc.com for more information). KBC is changing, and it's happening faster than ever before.

KBC feels it is its responsibility to prepare and secure its future as well as that of its employees and to constantly earn the trust and loyalty of its clients. Standing still is not an option as that is no better than going backwards.

Changing client behaviour is leading to shifts within and between distribution channels

The changes relate entirely to the fact that the world around us, our competitors and the new players on the market are constantly changing. As is client behaviour. This is a trend that started some time ago and isn't restricted to the financial sector. Clients today want to do their banking and insurance business differently. And this has led KBC increasingly towards a shift between the various distribution channels and an increase in digitalisation. That trend is going to continue but it's extremely difficult to estimate precisely how and how quickly the shift will occur in the future. It depends how quickly clients change their behaviour. As explained at the Investor Day last year, KBC will make sure it is ready and is adjusting itself to its clients' pace. What's more, KBC has seen that this approach is paying off, with client satisfaction increasing year after year.

KBC wants to ensure that its clients get quick, easy and broad access through various channels to solutions that are tailored to their needs. This means that there will or could be **internal shifts within the distribution channels and between distribution channels (bank branches, insurance agencies, regional advisory centres, the KBC Touch app (successor to KBC-Online) and the KBC Mobile Banking and other mobile apps.**

However, the most important thing is that **KBC will continue to invest in all distribution channels or touch points with its clients to ensure quick, reliable and broad access to its solutions.**

Bank branch network: investments in futuristic branches combined with selective closures

KBC will continue to focus on its multi-channel strategy and will keep investing in all channels, including its bricks-and-mortar channel. This means that a bank branch could be converted to a futuristic-style branch or an ATM branch or could be relocated or closed. It all depends on how clients behave and the changing environment (competitors, economy, business, etc.) in which the branch in question is situated. It's the same as any other business, which regularly weighs up the way it works based on its clients' buying behaviour, new competitors in the neighbourhood or changes existing competitors make, new environmental factors (such as traffic routes), etc.

As regards the number of bank branches, and as already announced earlier this year (and communicated to the staff involved), some 10 very small branches – each with no more than three employees – out of a total of 717 KBC branches, will be closed in the coming months. The clients concerned have already been or will be informed personally and will be served in the future from branches close by. Furthermore, in most cases, the closing of a branch involves only the closure of a physical location. The branch manager or relationship manager will be transferred to a branch close by and will continue to be the trusted face for clients of the branch that closes.

The Vlerick study referred to in the article in *De Tijd* was a reflection document, prepared for an internal study day with various inputs, including that of Vlerick. As stated at the Works Council meeting, KBC has a responsibility to think about the future on a regular basis, taking into account all possible scenarios and assumptions.

Regional advisory centres: broader access and availability for clients and support for the bank branches and insurance agents

The **regional advisory centres** also form part of the multi-channel strategy. Two of these centres are already in operation in East Flanders and Limburg and new centres are scheduled to open for every region and KBC Brussels in the autumn. The aim is to get even closer to clients. KBC will deploy its people and resources wherever it wants and is able to make a difference for its clients. Its clients these days demand accessible solutions that make life easy for them. That's why KBC is going all out for speed, accessibility and reliability.

For instance, a client loses their bank card or their card won't work all of a sudden. And they are leaving the next day for a trip abroad and urgently need a new card. They call their branch during the day and can collect their new card until 8 p.m. that same day in their local regional advisory centre.

KBC also wants to keep pace with its clients in terms of **availability**. For instance, at the start of the year, it extended the **opening hours** of all its bank branches. In practice, this availability is even broader since branch staff can work flexible hours so they can, for instance, take a longer lunch break and then work later that evening to allow them to meet a client at 7 p.m., for example.

The regional advisory centres have even longer opening hours, with staff there currently available until 8 p.m., and possibly until 10 p.m. in the future.

If in the future clients expect to be able to use certain services between 10 p.m. and 8 a.m. or at the weekend, KBC will respond to those expectations, too. This availability and support might be provided using modern technology (e.g., video phone or video chat) or it might be provided through a physical presence. Everything depends on how clients' needs evolve.

In fact, clients have 24-7 access to certain services now already, through KBC Touch, KBC Mobile Banking and the recently launched KBC Invest.

KBC: the resolute determination to be the reference now and in the future

As is always the case, KBC is determined to carry out the changes designed to prepare for the future and better serve its clients while showing respect for its staff, through open and constructive dialogue with all the parties involved and within a clear framework that allows the impact of the changes to be absorbed.

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