

Increasing Efficiency @ KBC Group HQ

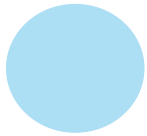
Johan Thijs, CEO KBC Group

Conference Call Press

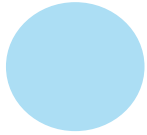
4 September 2019



Context: most challenging environment in a decade for banks/insurers



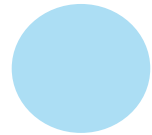
Changing **client behavior** requires to increase our agility and efficiency (digitization, straight-through-processing and data driven context) to prepare for the future



KBC starts from a **position of strength** :

- ⇒ Strong capital and liquidity positions
- ⇒ Strong profitability, through well diversified bank and insurance model
- ⇒ Good digital applications and development

Context: most challenging environment in a decade for banks/insurers



Future outlook looks challenging

- ⇒ Income under pressure due to low interest rate environment and volatile stock markets
- ⇒ Costs under pressure due to investments in a.o. digitization and regulatory costs
- ⇒ Economic growth under pressure
- ⇒ Political uncertainties in Europe and in the world
- ⇒ New entrants in the financial industry

Group Executive Committee

- Challenged the speed of change and the throughput time of customer solutions
- Decided to adapt the governance management structure of the group accordingly (16 May)
- Invited **(S)GMs to create blueprints** reflecting some principles driven by 6 levers

Process for blueprints: levers and targets given as guidance to the (Senior) General Managers



Strategic blueprints developed by (S)GMs while balancing the impact on all stakeholders



Reviewed by objective HQ-efficiency program team (H25)



Presented to Group Executive Committee by respective (S)GMs


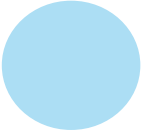
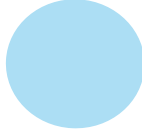


Challenged, amended and approved by GEXCO



Execution of blueprints planned as of **SEP 2019**

Outcome to be achieved :

-  Flatter, less bureaucratic, more efficient /agile organization
-  Less management layers and larger span-of-control
-  Customer solutions can be implemented with improved throughput-time and after a faster decision-making process, in which employees have more empowered role

Impact – Period September 2019- end 2022

Belgian Domestic Area

- FTE reduction entirely absorbed via natural outflow (retirement, turnover, ...)
- No compulsory collective redundancy nor exit plan foreseen or needed
- Redeployment is key
- Selective recruitment of specific expert profiles which are internally not available continues
- Reduction of workforce by 1400 employees, of which 300 functions will be near-shored to KBC's internal shared service centres in Brno (CZ) and Varna (BG)
- Termination of contracts of 400 external contractors

More details to staff in coming days/weeks about changes in coming months/years

Open and constructive dialogue with all involved and social partners

Make organization and staff as future-proof as possible (AI-driven learning/talent platform)

Impact -Period September 2019- end 2022

Czech Republic

Similar transformation challenges : investments in new Businesses, integration of back office and support services, the application of robotic process automation and the acceleration of end to end digital processes

Respond more rapidly to client preferences and to develop new client services

Reduction of management layers and introduction of agile and flexible working practices

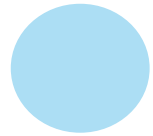
30 June 2018 – 30 June 2019 : reduction of 400 FTE net

Next 3 years : reduction of at least 250 FTE per year expected

Minimize compulsory redundancies by promoting internal redeployment of staff and given normal staff turnover

Selective recruitment of specific expert profiles which are internally not available continues

Impact – Period September 2019- end 2022



International Markets

Operational efficiency exercises already implemented or ongoing as part of the implementation of a business-driven transformation with a big IT-component within the Business Unit