



Press release

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KBC shifts digital transformation and customer experience up a gear with *‘Differently: the Next Level’* and publishes new non-financial targets

KBC Group is today announcing its updated strategy and non-financial guidance.

In recent years, KBC has taken enormous steps in the digital transformation of its business, both in the company itself and in the way it serves its customers and responds flexibly to their rapidly changing needs and expectations.

Johan Thijs, CEO of KBC Group sums up the message as follows: *‘In light of fast-changing customer expectations, we reassessed our group’s ‘More of the same, but differently’ strategy at the end of 2019 and identified where our focus should lie in the years ahead. With ‘Differently: the Next Level’, we’re continuing down our chosen route, but are now shifting up a gear.*

KBC always puts its customers first, and by implementing this new strategy it is taking its bank-insurance services and customer experience to an even higher level. As starting point, we continue to invest in our digital applications and our traditional brick-and-mortar bank branches and insurance agencies. With the support of Artificial Intelligence and data analysis, we can work solution-driven to proactively make life easier for our customers. As from the end of November/start of December, retail customers in Belgium and the Czech Republic who wish to do so can use the services of their personal, fully digital assistant, Kate. By rolling out Kate, KBC is taking a giant step forward in the service it provides to its customers, whereby making their life easier becomes the leitmotiv. Kate is a core element of a disruptive strategy that has an impact on all products and processes, as well as on how we steer our organisation and interact with our customers.

The way in which our customer experiences our services is strongly influenced by the speed and simplicity with which we can serve them. Therefore, now more than ever, our internal processes are being revamped on the basis of end-to-end processing and short, fast decision-making processes. All these steps will enable our group to develop at an accelerated pace into a data-driven and solution-driven digital-first bank-insurance company.

KBC will remain focused on sustainable and profitable growth, enabling it from a standalone perspective to play its role in society and the local economy to the full to the benefit of all stakeholders, and to maintain its place among the best performing and most trusted financial institutions in Europe.’

1. Customer experience and operational efficiency are key

Customer-centric thinking has been part of KBC's strategy for years. At the very least, KBC wants to give its customers the experience they expect and to surpass their expectations wherever possible. Customer satisfaction is based on all the experiences customers have with KBC, i.e. at the start of the customer relationship, during and after a sale, both in a branch and via a digital application, etc. With respect for its customers, KBC constantly seeks to balance their experience and KBC's concern for sustainable growth and profitability.

Customer expectations have evolved enormously in recent years, with fast, hassle-free, proactive and personal products and services becoming the norm and a situation that is no different in the financial world. Technology is increasingly supporting this changing situation.

KBC had already digitalised a number of internal/underlying (often complex or manual) processes that ensure that simple, high-quality products can be provided to the customers quickly and easily. Going forward, KBC will go a step further. From now on, KBC products, services, commercial processes and Kate-driven processes will be designed with the emphasis on '**digital first**'. This also means that they will be adjusted or revamped in such a way to simplify them, make them user-friendly and scalable and, in effect, enable them to respond in a fast and appropriate way to customers' needs. For customers who so desire, KBC will also use the available data in an intelligent and appropriate manner. This should enable KBC to offer its customers simple and high-quality products quickly, smoothly and proactively, and in a user-friendly way, thereby maximising the customer experience, which in turn contributes to greater customer satisfaction and loyalty.

2. Proactive customer-friendly solutions, powered by Artificial Intelligence and qualitative data

In recent years, KBC has already responded to changing customer behaviour with its omnichannel distribution model. Physical and digital channels go hand in hand when it comes to serving all customers, both the growing group of digitally-minded customers and the less digitally-minded ones. During the recent coronavirus lockdown period, society received a far-reaching digital boost much faster than expected. The significant investments in digital transformation made by KBC over the past years clearly paid off and ensured that KBC could continue to serve its customers flawlessly.

KBC is going to make the interaction with the customer even more future-proof and smarter (i.e. reinforced by Artificial Intelligence) and wants to move on from an omnichannel distribution model to a **digital-first** distribution model. In both the omnichannel and digital-first models, the human factor/interaction remains important, and the network of KBC employees and branches are fully available to the customers. In specific segments such as Private Banking or Corporate Banking, this relationship is even personalised via the KBC Relationship Managers. As is always the case, the customer decides which distribution channel, digital or physical, is used to contact KBC.

In a 'digital-first' distribution model, however, digital interactions with customers will form the initial basis. In view of this, KBC will therefore eventually offer all relevant solutions for its customers' financial needs via mobile applications. In addition to a digital product range, KBC will offer its customers digital advice and develop all processes and products as if they were sold digitally. For customers who so desire, **Kate** – the new, personal digital assistant – will play an important part in providing proactive, timely, personalised and relevant solutions in digital sales and advice. That's why operational efficiency of underlying processes is so crucial.

Employees in the branch network and in the contact centres continue to function as a beacon of trust towards KBC's customers. While specifically answering the questions and fulfilling the financial needs of customers, they will support, encourage and monitor use of digital processes. They will be supported in this by Artificial Intelligence, data and data analysis.

3. Continued focus on Open Banking & Insurance results via Bank-insurance+

In recent years, more and more customers have become acquainted with KBC's mobile applications. Previously, KBC only offered the bank and insurance products and services in its mobile app to its own customers. Meanwhile, Open Banking & Insurance (OBI) has become a fact. KBC will continue along this route and also offer non-financial solutions that should benefit the financial well-being of retail/private customers or the future of corporate customers, not only in Belgium but also in its other core countries.

Besides offering traditional bank-insurance solutions (loans, insurance, investments, payments) to its Retail, SME and Corporate customer segments, KBC will also provide less traditional but often-used solutions. The '+' in 'Bank-insurance +' refers precisely to the broader 'economic services' KBC is offering.

These may include solutions that help customers:

- save money: advising them to switch to a cheaper energy supplier, for instance
- make money, such as the KBC Deals discounts offered in Belgium
- simplify everyday payments, like the ability to pay for parking automatically
- support business activities, such as the BrightAnalytics reporting tool

KBC will, of course, do this with full respect for the protection of customers' data and privacy.

Trusted partner, also for the SME / Corporate segments

KBC also aims to become a trusted partner:

- in financial and related services (Bank-insurance+) for **Retail/SME** customers.
For these clients, Kate will pro-actively take away the hassle to fulfil their financial needs by simplifying their daily activities, offering convenience and ensuring a seamless customer experience. (**'digital' approach**).
KBC relies on its own solutions when providing financial services, whereas it mostly relies on third parties for non-financial services.
- in financial and 'strategically adjacent' services for **SME/Corporate** customers.
For those segments, the **human factor** – in the form of KBC's account managers – remains paramount, with data and technology being the prime levers in achieving a full-service proposal by offering integrated solutions (**'mastering the blend between the human and digital'/phygital approaches**). In doing so, KBC creates a strong, regional corporate advisory services franchise, building on its strong track record in ECM, DCM and high quality corporate finance capabilities.

4. Personal digital assistant Kate, KBC's Assistant To Ease your mind

A far-reaching analysis of customer needs provides insights into the behaviour of retail, SME and corporate customers and enables relevant banking and insurance solutions to be offered and the customer experience to be maximised in a pro-active and personalised way, as well as through a continuous learning process. KBC has translated this customer journey (from analysis to trigger and then solution, from pre-sales to trigger and after-sales) into an AI-powered **personal digital assistant called Kate** who gradually becomes more accurate or what you might call smarter over time and is therefore continuously improving the user's overall customer experience.

Kate provides customers with unparalleled ease of use by simplifying a number of daily routines, and integrating seamlessly and smoothly into KBC's mobile app, helping its customers save time and money.

5. *How Kate works: Kate2you, you2Kate and Kate4employees*

Johan Thijs stresses the crucial role that Kate will play for the KBC group: *'Kate is a core element of a disruptive strategy that has an impact on all products and processes, as well as on how we steer our organisation and interact with our customers.*

Ultimately, all product and process development and updates will be driven by Kate. Interaction between the branches, KBC Live (our remote contact centre) and Kate will be maximised to boost the pickup rate of Kate-driven solutions. The success rate on both product, service and on individual level is followed-up in order to create the feedback loop and "feed the machine", which in turn will foster Kate's growth.'

KBC can deploy Kate in all its distribution channels, but has decided to focus initially on its mobile app for the retail customer segment (KBC Mobile in Belgium and the DoKapsy app in the Czech Republic), before rolling it out to (SME and Corporate) business customers at a later stage. Kate4Business has been started up and the first projects are scheduled for release in the course of 2021.

In the first phase, which is due to start **at the end of November in the Czech Republic and at the beginning of December 2020 in Belgium**, Kate will offer **14 options in Belgium with the KBC Mobile app and 7 options in the Czech Republic with the ČSOB DoKapsy app** (in Dutch, French and Czech). In this first phase, these options will focus on 'serving the customer' (**Kate2you**). *An overview of these different cases is attached to this press release.*

Customers can ask **Kate** questions (**you2Kate**) regarding their basic financial transactions (money transfers, insurance claims, etc.). However, they will also receive regular personalised proposals from KBC (**Kate2you**) in their mobile app to ensure maximum convenience and to increase accessibility when they have straightforward questions. **Customers are completely free to choose whether or not to accept such a proposal.** If they do, the solution will be offered and processed completely digitally. In this way, Kate will also unburden KBC staff (**Kate4employees**) who will be able to focus entirely on serving the customer. If customers prefer to use the non-digital channel, Kate will provide insights and even solutions to the branch employee. This will be the way forward in complex lines of business and/or complex customer segments.

KBC has deliberately opted to start with a limited number of cases in November/December to give **Kate** the opportunity to learn quickly. KBC will use the feedback it receives to quickly make any adjustments it feels necessary. Customers will notice that **Kate** will be able to do increasingly more every week (answer a wider set of questions, help customers with certain tasks, such as changing the limits for their credit card, etc.). **Starting in 2021, KBC will launch at least two new Kate-driven cases every month.**

Kate is a group initiative, but implementation will be adapted to take account of the local situation in each core country. Kate will be rolled out in the other KBC group core countries over the next few years. It will be a joint group-wide effort, with each core country contributing through its own core capabilities (e.g., the Czech Republic Business Unit will contribute to the Kate platform with its chatbot-capabilities).

6. *Pearl+: think local, create and work increasingly more together*

KBC is expanding further on its strong corporate culture of 'Pearl' (Performance, Empowerment, Accountability, Responsiveness, Local Embeddedness) that was introduced in the group eight years ago. **KBC is adding an extra dimension, a '+'.** This means that it will increasingly focus on the **joint development** and smart copy of solutions, initiatives and ideas within the group (in such areas as HR, strategy, finance and retail products/services) so that they are easy to use throughout the group. KBC is taking **group-wide cooperation** between the various countries and domains to an even higher level. This will make it possible to work more efficiently, to respond more quickly to change and to lever local talent/skills throughout the group.

7. Geographical playing field

KBC's strategy remains focused on its **six core countries** (Belgium, the Czech Republic, Bulgaria, Hungary, Ireland and Slovakia), where KBC will continue to look for bolt-on acquisitions.

Besides partnerships, KBC also envisages the acquisition of **FinTechs** to support the implementation of its strategy and to address current white spots.

At the same time, KBC is taking its corporate finance activities to the next level. KBC reviewed the focus of **KBC Securities** and is developing an **advisory service franchise**, adapted to the needs of its **midcap corporate banking customer base in its core countries**, whilst also allowing a **limited expansion into its neighbouring countries**, thus leveraging international networks **to serve its existing customer base even better.**

8. Taking AML to the next level

A key management priority for KBC Group is AML, which is managed centrally and embedded in KBC's corporate culture. Responsible behaviour is built into this corporate culture.

KBC also embraces innovation and technology in the field of AML and is increasingly making use of advanced data-driven detection and advanced monitoring tools using AI engines (a patented deep learning model), enabling it to move from rule-based to trend-based detection.

9. Taking sustainability to the next level too

Johan Thijs is very clear about KBC group's sustainability ambitions: ***'KBC Group wants to remain the reference and will substantially raise the bar for its climate-related ambitions. For example, it is our ambition to further reduce our greenhouse gas emissions by 80% by 2030 and to achieve full climate neutrality by the end of 2021, by offsetting the balance.'***

- SRI funds: to more than double SRI funds by 2025; SRI funds \geq 50% of new fund production by 2021
- Renewable energy loans (as a % of the total energy-sector loan portfolio): target raised from 50% to 65% by 2030
- Direct coal-related finance: KBC has a proven track record in reducing its direct exposure to the coal industry and is firmly committed to exiting the sector, while supporting existing customers in their transition
- Green electricity (as a % of own electricity consumption): target raised from 90% to 100% by 2030
- Reduction in own greenhouse gas emissions (in % terms, compared to 2015): target reduction has been raised from 65% to 80% by 2030. **KBC will achieve full climate neutrality by the end of 2021**, by offsetting the balance.

10. Translating strategy into non-financial guidance – new targets by 2023

Differently: the next level From key priorities to operational targets



In order to measure the progress made in implementing the strategy, KBC is introducing four new operational targets (to be achieved by 2023):

- **Customer NPS ranking:** to remain ‘the reference’ (top-2 score at group level – based on weighted average of ranking in six core countries)
- **% bank-insurance (BI) customers:**
 - o $\geq 85\%$ of active customers to be ‘BI customers’ (holding at least 1 bank + 1 insurance product from KBC Group)
 - o $\geq 27\%$ of active customers to be ‘stable BI customers’ (at least 2 bank + 2 insurance products (Belgium: 3 + 3))
- **% digital sales (bank/insurance):**
 - o Digital sales $\geq 40\%$ of bank sales
 - o Digital sales $\geq 25\%$ of insurance sales
(based on weighted average of selected core products)
- **STP score (straight through processing),** based on analysis of core commercial products:
 - o STP $\geq 60\%$ and STP potential $\geq 80\%$

The **STP-ratio** measures how many of the services that can be offered digitally are processed without any human intervention and this from the moment of interaction by a client until the final approval by KBC.

STP potential measures what the STP-ratio would be if KBC would only have the digital channel in its interaction with clients for a given process or product.

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Kate, your digital assistant

14 Cases to be rolled out in Belgium in 2020

First Date With Kate:

"Hi Johan, I'm Kate your digital assistant. Do you want to know what I can do for you?"

Money Transfer: Hi Kate, Transfer 100€ to Jan Peeters

Search Transactions: Hi Kate, have I paid my Telenet invoice this month?

Proof of Insurance / File a car claim :

Hi Kate, show my cars proof of insurance?

Hospitalisation:

Hi Kate, show my Assurcard? Can I help you to file your hospitalisation claim?

Mortgage:

"Hi Johan, Do you want to know how much you can spend on your mortgage?"

Kids are starting to drive

"Hi Johan, I noticed your daughter started taking driving lessons. Can I add her to your car insurance?"

Nudge about unused features current account

"Hi Johan, your card is about to expire. You can personalise your card. Shall we do this right away."



Downsell Car Insurance:

"Hi Johan, I noticed your car is more than 5 years old. I think we can optimize your insurance coverage for your car."

Energy Switch:

"Hi Johan, I noticed you paid your energy provider. Are you interested in finding out how much you could save for your situation?"

After the storm:

"Hi Johan, That was quite the storm. I hope nothing got damaged? I'm here when you need me (assistance/file a claim)"

Travel case:

"Hi Johan, I noticed you are traveling abroad. Don't forget check your credit card limits & to arrange your settings for payments outside the EU. Shall we do this right now?"

Stop Parking 4411:

"Hi Johan, I noticed you reached your car. Can I end your active parking session?"

Payments:

"Hi Johan, You can save money by switching from your basic to plus account. Do you want to find out more?"

Kate, your digital assistant

7 Cases to be rolled out in Czech Republic in 2020

First Date With Kate:

"Hi Johan, I'm Kate your digital assistant. Do you want to know what I can do for you?"

General Questions:

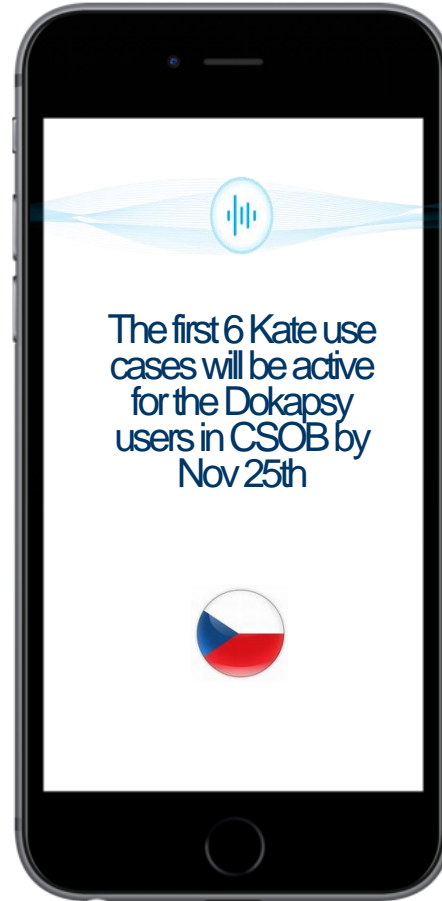
Approx 1000 questions and answers related to multiple bank products and general topics.

Pet Insurance

"Dear Ellen, do you know you could insure your pet for vet charges?"

Debit/Credit Card delivery

"Dear Ellen, your credit card is about to expire, would you like to check where it will be delivered to?"



One time insurance:

"Dear Ellen, I can arrange a travel insurance for you."

Travel Insurance Reminder

"Dear Ellen, you are already set up! With the premium insurance you have you don't have to worry about getting insurance for your trip"

Energy Comparison (will be launched by December)

"Dear Ellen, you could save up to 500 per year by changing your energy provider"