



# Press release

Outside trading hours - Regulated information\* - Public disclosure of inside information

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## **KBC Group details results group-wide governance optimization exercise meant to further increase operational efficiency and customer service**

*On 16 May 2019 KBC announced that the Executive Committee had started a group-wide internal exercise to further optimize and simplify the governance model at management level (Top 40/Top 300) and the decision-making processes.*

*Today KBC provides more details as to the follow-up of that exercise meant to improve the efficiency and agility of KBC's headquarters and support functions in Belgium.*

*Johan Thijs, KBC Group CEO explains the reasoning behind the decisions taken : " An organization like KBC is a living organization. Everything that lives, changes. As an organization and as an employer, we prepare ourselves for the future. The adaptation of our group-wide governance is essential and an inevitable next step to respond to the new environment in which new entrants challenge the incumbents and in which customers expect an easier, hassle-free service and faster decision-taking. Organizations need to be more agile allowing them to take decisions faster and implement changes more swiftly. As a result of this exercise, our organization will be more agile and flatter, with less management layers and larger span-of-control. Consequently, customer solutions can be implemented with an improved throughput-time and after a faster decision-making process, in which our employees have a more empowered role.*

*In a dynamic organization like ours, we constantly create new assignments, while other jobs change or even disappear. This optimization exercise will have an impact for some of our employees. Redeployment of our staff is key, but if it is not possible, we will look for alternative solutions. This applies to (senior) general managers as well as to all other employees. The implementation of this exercise will be done in a respectful way, as we always do".*

### **Further changes at all staff level in Belgium Business Unit**

Since the announcement of the review of the governance model at management level (Top 40/Top 300) on 16 May 2019 (see press release of 16 May 2019), senior (general) managers of KBC Group have defined in concrete terms how they are going to further improve operational efficiency in their respective units and thus also take customer service to an even higher level. The business strategy and resulting efficiency gains have been detailed in so-called 'blueprints', of which the execution will start as of September of this year.

The changes include moves of departments, sections and employees, including both increases and decreases of FTE (Full Time Equivalent) in the departments concerned.

**In Belgium, the changes will be implemented as of September 2019 till end 2022. The FTE reduction will be entirely absorbed through natural outflow (retirement, turnover, ...), which amounted to more than 500 FTE (Full Time Equivalent) per year in recent years. As a result, no compulsory collective redundancy nor exit plan is foreseen or needed.**

In concreto, the changes will lead in the coming three years to

- **A reduction of the workforce by 1400 KBC employees in Belgium** (Headquarters, support functions and branch network in Belgium), **of which 300 functions will be near-shored to KBC's internal shared service centers in Brno (Czech Republic) and Varna (Bulgaria)**
- **A termination of the contracts of 400 external contractors** (mainly in IT-functions, or interims)

Today, KBC has shared the broad outlines of this exercise with the staff. In the coming days and weeks employees will hear what might change in their department in the coming months or years.

The individual impacted employees are currently only identified to a limited extent, i.e. where concrete redeployments are already underway or have been drawn up. In many cases, projects (e.g. automation, internal nearshoring) still need to be carried out first and it is only at that moment that impact on individual employees becomes clear. This will be spread over the coming months and years.

It is KBC's intention to make the necessary changes with full respect for its employees and through an open and constructive dialogue with all involved and with the social partners. The implementation will be done within a clear framework, within which the impact of the changes will be absorbed.

Meanwhile, negotiations in Belgium regarding the prolongation of the Collective Bargaining Agreement regarding employment continue.

It remains KBC's firm ambition to make the organization and its staff as future-proof as possible. Therefore KBC will continue to heavily invest in the training and skills of its people. To that end, KBC is currently setting up an AI-driven learning and talent platform that will allow staff to map their current functional and digital skills with the needs of the future and, with the support of KBC, to take the necessary steps and training in time in order to ensure their future proof skill set.

In order to support the digital transformation and the implementation of the business strategy, KBC will also continue to selectively recruit specific expert profiles which are currently not available internally (e.g. Data/Artificial Intelligence specialists, web designers,....).

### **Similar changes within Czech Republic Business Unit**

In parallel with the exercise in the Belgium Business Unit, a Transformation Exercise was launched in the Czech Republic Business Unit earlier this year. This has included investments in new businesses, the integration of back office and support services, the application of robotic process automation and the acceleration of end to end digital processes. This is enabling CSOB to respond more rapidly to client preferences and to develop new client services. This process will continue and will include the reduction of management layers and the introduction of agile and flexible working practices. In consequence, CSOB aims to deploy more staff to provide expert advice to clients and to reduce the number of staff engaged in repetitive processes. **In the 12 months to 30<sup>th</sup> June 2019, staff numbers were reduced by over 400 net. CSOB expects this trend to continue at a pace of at least 250 staff on annual basis in the coming three years.** Given normal staff turnover, and by promoting the internal redeployment of staff, CSOB aims to minimize compulsory redundancies.

In order to support the digital transformation and the implementation of the business strategy, CSOB will also continue to selectively recruit specific expert profiles which are currently not available internally.

### **International Markets Business Unit**

In the **International Markets Business Unit** (Bulgaria, Hungary, Slovakia, Ireland) operational efficiency exercises have already been implemented in previous years or are ongoing as part of the implementation of a business-driven transformation with big IT-component within the International Markets Business Unit.

### **Note for the editors and as a reminder**

#### **Changes at management level (Top 300) that were already communicated on May 16, 2019.**

The changes to the governance involve a number of changes (certain management positions and entities shift, change or disappear) and appointments. Some managers have opted to end their career at KBC and explore new horizons.

The total number of (senior) general managers (Top40/300) active within KBC Group has dropped from 300 to 281 after this exercise :

- 21 managers changed position and some are given new or additional responsibilities
- 3 managers have been deployed at management -1 level
- 15 managers left or will soon leave the company

As communicated already on 8 August 2019 , this management reorganization has led to a total cost of 10 million euros (booked in 2Q19) and a recurrent saving of a multiple amount of those 10 million euros in the quarters and years to come.

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\* This news item contains information that is subject to the transparency regulations for listed companies.

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