



CSR Report





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Our CSR journey

Sustainability has many facets; it is a combination of many activities in a range of areas. We believe that being sustainable means doing business in a decent way. We consider all aspects of society in order to realise sustainable growth that takes account of financial, social and environmental aspects.

Strategy

The world is changing, and we have to change and grow in a different way.

That is why we launched our new strategy in 2012, and further embedded it in our day-to-day work in 2013.

Our PEARL (Performance, Empowerment, Accountability, Responsiveness and Local embeddedness) strategy implies that we are client-focused; we continuously improve the quality of our products and services to meet or exceed the expectations of our clients.

We want to win back trust and confidence by operating in an ethical and financially sound manner.

Responsiveness means that we anticipate and act on the suggestions, influences, appeals and efforts of our management, employees and clients. It all comes down to tolerance and understanding.

We show respect for our internal and external clients by being transparent, appreciating people for who they are and what they do and trusting people. We embrace the diversity of our clients in our different home markets.

Based on the guiding principle of individual dignity, we aim at doing business in a decent way, while remaining results-driven. Our aim is to grow in a sustainable way.

Our ambition is to be the reference in bank-insurance in our core markets. We want to be the first company people think of when they need a financial product or service, the first company people think of when they are looking for an exciting job, and the first company investors think of when they want to invest in a financial institution.

Ethical behaviour

The detailed compliance policies on integrity, fraud prevention and anti-corruption are important tools for embedding sustainability in our daily business. We wish to offer our banking and insurance services based on a clear ethical framework, founded on sound company values and in compliance with all relevant rules and regulations.

This ethical framework is based on KBC's Integrity Policy, which is updated by the Board of Directors and overseen and promoted by an independent compliance function. The compliance function draws up and monitors the implementation of detailed guidelines on ethics and integrity, consumer and investor protection, anti-money laundering, data protection, fraud detection, fraud prevention and anti-corruption. It also arranges information, awareness and prevention campaigns in this area.

The basic principles on ethics, integrity and compliance are developed at group level and Group Compliance coordinates their roll-out throughout the group. The compliance functions at local level assist the senior management of each local KBC group entity – which has primary responsibility – with the implementation of these principles and with the organisation and safeguarding of its integrity and reputation. In accordance with our updated Compliance Charter, the compliance functions are independent and KBC has set up direct lines of reporting between the local and group compliance functions.

Within the KBC group, the compliance function is responsible for:

- anti-money laundering, including tax fraud prevention and combating terrorist financing;
- financial markets and investor protection (MiFID);
- consumer protection (including protecting the interests of borrowers in consumer and mortgage loans, as well as non-discrimination, information and protection of investors in the banking and insurance sector) and data protection (including banking secrecy and the duty of confidentiality);
- Ethics and fraud risk management.

The following is a summary of developments in these areas.

1. Anti-money laundering (AML)

[Group Compliance rules on 'Know Your Customer \(KYC\), Know Your Transactions \(KYT\) and Embargoes.](#)

In 2013, we continued our efforts in the due implementation and management of these rules, which aim at the full implementation of the third EU AML Directive and related EU Regulations. The embargo rule focuses on prohibiting the acceptance of clients and/or the execution of transactions related to certain countries or sanctioned persons or entities and certain activities (e.g., relating to the proliferation of weapons of mass destruction). A new service level agreement between Group Compliance and the Shared Services Centre in Brno (Czech Republic) – responsible for the first-line monitoring of payments – came into effect in January 2013. The Group Compliance Rules, 'Know Your Customer' (KYC) and 'Know Your Transaction' (KYT), relating to the customer due diligence requirements financial institutions to which have to adhere with respect to their clients and clients' transactions are now in effect in the group's various entities. As far as KBC Bank Belgium is concerned, the new end-to-end customer due diligence process is now fully operational.

As regards the [KBC Cash Policy \(KBC Bank Belgium\)](#) that came into effect last year, additional efforts were made to limit cash transactions and to enhance cash transaction monitoring by the branches (first line of defence). With that in mind, warning signals on cash transactions generated by the automated monitoring system have been diverted to the branches since the beginning of 2013, and the branches are responsible for dealing with them. As a second line of defence, Compliance performs a comprehensive control of the correct treatment of such warnings. The US Foreign Account Tax Compliance Act (FATCA) aims to combat tax evasion by US tax payers by obliging foreign financial institutions to provide extensive information on specified US persons to the US Internal Revenue Service either directly or through their national tax authority. With regard to this act, Group Compliance continued, together with the Central Coordination Team and local implementation teams, its efforts to steer the implementation of this legislation throughout the

KBC group. As a result of these efforts, all KBC group entities should be ready and compliant by 1 July 2014, the official starting date of FATCA.

2. Financial markets and investor protection

Group Compliance has issued a number of rules designed to protect investors when offering investment services. These rules are based on the relevant European Directives such as the MiFID and the Market Abuse directive. The following initiatives were taken in this respect in 2013.

- **Conflicts of Interest Policy:** in its enhanced Conflicts of Interest Policy, KBC indicates how potential conflicts of interest can arise between the bank (or its staff members) and its clients, or between clients, when offering investment services, and how these are to be mitigated. KBC's policy is that the client's interests should take precedence over the interests of the bank. Business controls have been developed in this respect, and Group Compliance is responsible for the second-line monitoring of the due implementation of this policy. Putting clients' interests first is one factor considered in the evaluation of our sales staff.
- **First-line controls:** a series of first-line controls have been set up in several business lines (retail, private banking, corporate and markets). The aim of these controls is to ensure that the relevant procedures are applied correctly or, where necessary, the requisite corrective actions are taken.
- **Personal transactions:** to prevent market abuse, employees in possession of inside information are prohibited from performing personal transactions in the financial instruments of issuers on which they have this information or transactions which may give rise to a conflict of interests. The relevant employees are provided at regular intervals with information to maintain their awareness, and Group Compliance checks transactions that could be considered as potentially suspicious. The relevant authorities are notified of any such transactions as and when necessary.

3. Consumer protection, data protection and professional secrecy

Following the introduction of new regulations that have extended the scope of the Compliance function, a Consumer & Data Protection Unit was created within the Group Compliance Department at the end of 2013.

This unit has to ensure a consistent level of protection for consumers in various areas (mortgage loans, consumer loans, insurance, etc.).

The Data Protection Officer continued to implement detailed policies to control data protection and the processing of employee and client data, marketing and so forth.

In addition, efforts focused on monitoring and training in these areas continued.

4. Ethics and fraud risk management

4.1. Updating codes and policies

We updated some important documents in the area of ethics and fraud in 2013. Taking into account the ongoing roll-out of the new KBC 'PEARL' strategy, the lessons learned from past experience and the circular on the compliance function issued by the NBB/FSMA, we updated:

- the KBC Compliance Charter;
- the KBC Integrity Policy;
- the KBC Group's Code of Conduct;
- The Code of Conduct Governing the Use of Means of Communication.

In line with these updates, we have set up internal communication plans to facilitate the implementation of the updated documents and new codes of conduct. These new codes of conduct are also adapted to the rapidly changing social and technical environment (e.g., working from home and use of social media) and are the subject of a web-based training programme.

4.2. Anti-corruption programme

KBC has a zero tolerance policy on all forms of corruption and continues to refine its systems and procedures for investigating, detecting and reporting any form of corruption. All policies associated with integrity, anti-corruption, and fraud prevention are duly communicated, fully implemented, systematically reviewed, and monitored group-wide.

We scaled up our anti-corruption programme by installing a due diligence system for third parties, counterparties and suppliers, which have to comply with the principles of our anti-corruption programme.

Part of KBC's anti-corruption programme is how to deal with gifts, entertainment and sponsorship. As in previous years, we focused on these aspects by systematically checking staff expenses claims and the receipt of gifts and entertainment by setting up specific authorisations and tests.

KBC has had a policy for protecting whistleblowers since 2006. In the communication campaign for the new KBC Code of Conduct, special attention was paid to informing staff on all aspects of this whistleblowing policy. The number of reported cases was rather low in comparison to the previous year. In addition, we further developed our central Fraud Competence Centre (fraud prevention and detection), with special attention on the awareness and prevention of cybercrime, in close cooperation with our business entities.

5. Training and awareness

KBC continues to invest in creating a constant awareness of ethical and compliance-related topics for all staff. Staff are provided with regular, specific information on these subjects. It is possible to reach all staff through a combination of classroom and individual web-based training programmes and the publication of specific chronicles and journals.

Next year, we will invest in developing new specific web-based and e-learning courses, in order to reach specific target groups in a flexible way.

The CSR Board

We realise that feedback from different stakeholders will help us to become resilient. After all, cooperation, partnerships and impartial opinions will help us to take sustainability to a higher level. In line with this, the cooperation with the CSR Board (formerly the External Advisory Board of KBC Asset Management) has been extended. As from 2013, the CSR Board will inspire, challenge and assist KBC Group in the area of sustainability. This group of external academics will assist KBC by anticipating relevant developments in CSR topics, informing us on best practices, providing examples from industry and society and assessing our current products, services and procedures.

A man and a woman are standing in an office, looking at a document together. The man is holding a green folder and the woman is holding a small cup. A large blue speech bubble is overlaid on the image, containing the text "Our business".

Our business

By taking 'CSR' to mean Corporate Sustainability and Responsibility, we aim to highlight our intention to make sustainability an integral part of our daily business. We assume responsibility by developing products that help clients tackle issues such as floods (related to climate change), energy efficiency, health and safety and prevention. We endeavour to improve gradually in order to make our daily business more sustainable.

At the end of 2013, the KBC Group Executive Committee issued a blacklist of the worst offenders against UN Global Compact Principles. No KBC group entity may initiate or conduct any business with any company on this blacklist. The list is based on a four-eye-principle and arose from the companies that feature on the KBC AM UNGC Strong Violators List and on the exclusion list of the Norwegian Pension Fund (on grounds associated with UNGC principles).

We also started working on extending the scope of the existing zero tolerance policy regarding companies involved in controversial weapons to nuclear weapons. This is still a work in progress.

When it comes to loans, we want to provide the right product to the right clients. We want to protect clients from over-indebtedness. We comply with the consumer protection laws and draft risk profiles for all our clients in our home markets. A special credit programme, 'Third age', was developed at CIBank, especially for loans to retired clients. Another credit programme 'Energy efficiency', supports Bulgarian households to help them improve their energy consumption. K&H offers a similar 'green loan' to be used for renovation/refurbishment and modernisation, with a special focus on the implementation of environmentally friendly or recycled forms of energy (sun cell, sun collector, wind power, thermo-pump, etc.) and other changes to improve energy efficiency (replacing windows and doors, installing insulation) and developing (environmentally) passive houses. KBC Ireland's acknowledgement of the difficult circumstances faced by borrowers made it possible to develop appropriate solutions to meet clients' needs. The Mortgage Arrears Resolution Strategy (MARS) came into being as a result of the requirement for long-term solutions for borrowers experiencing problems with mortgages.

In the insurance field, the focus is on prevention and health and safety. At the end of 2013, we started a pilot programme regarding the assessment of driving behaviour for our own car fleet, the aim being to foster safe and efficient driving. Besides products, we also focus on raising awareness of prevention and safety in various situations. The 'Mums Know Best' safety campaign in Belgium was one of the major campaigns focusing on road safety in 2013.

Many young people want to make their dream of having their own home come true, but are stopped in their tracks because of the higher premiums for loan balance insurance charged because of a health risk.

At KBC, we pay a lot of attention to scientific research and preventing illnesses, disease and accidents. As a result, we are able to help some of these young people take out loan balance insurance.

Every year, the number of people with diabetes in Belgium goes up. In particular, young people with type 1 diabetes find it difficult to get affordable loan balance insurance when buying their own home. We can accept type 1 diabetes sufferers who take good care of themselves and meet certain criteria.

People with HIV are also often faced with sky-high insurance premiums or are even refused insurance on account of the increased health risk.

We track new developments and progress in medicine closely. And because we set great store by these favourable developments, we are able to provide loan balance insurance to most of our HIV clients.

Our Social Profit department translates words into practice when it comes to sustainable business. To build and support schools, hospitals, retirement homes and the like, we look into sustainable solutions and partnerships with investors and other parties involved so that these projects can succeed.

KBC continues to focus on socially responsible investments (SRI). In 2013, KBC Asset Management's research team developed a sustainable screening model for emerging market companies. With the launch of the KBC Equity Fund SRI Emerging Markets sub-fund we offer our clients the opportunity to invest in those companies.

How does kbc go about socially responsible investment (sri)?

A company's social responsibility is judged not only on its conduct in the community, but also on the products and services it offers its clients. In addition to encouraging lending for sustainable projects, KBC also focuses on socially responsible investment (SRI) products. Indeed, since 2002, we have developed an extensive range of SRI products to cater for investors with the most diverse profiles.

The range of products offered by KBC Asset Management (KBC group's asset manager) includes equity funds, bond funds and balanced funds. Its SRI equity funds encompass specific sustainable themes (e.g., Eco Funds) and general, best-in-class funds. The External Advisory Board for Sustainability Analysis (EAB) oversees the screening of the socially responsible nature of the best-in-class funds offered by KBC Asset Management, and the Environmental Advisory Committee (EAC) supervises the theme-based Eco funds.

We see SRI as a long-term strategy that can provide a reliable combination of return and sustainability. This is illustrated in the graph below, which shows that the returns generated by an SRI fund over time are comparable to those of a similar conventional fund.

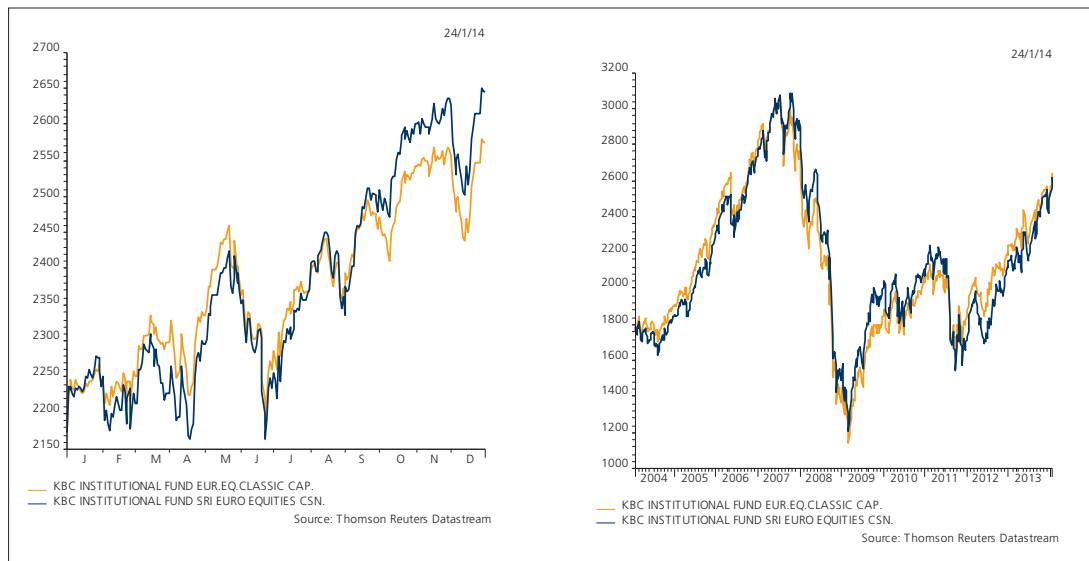


Illustration: the performances of a European SRI fund (KBC Institutional SRI Euro Equities) and a conventional European fund (KBC Institutional Fund Euro Classic) over the past year (left) and the past 10 years (right).

What are the External Advisory Board for Sustainability Analysis (EAB) and the Environmental Advisory Committee (EAC)?

The EAB oversees the screening of the socially responsible nature of the SRI funds offered by KBC Asset Management. It is made up of a number of academics, all of whom are experts in their field, which may be human rights, the environment or business ethics. The EAB:

- approves the methodology and approach adopted by KBC Asset Management for assessing and selecting issuers;
- approves the themes, criteria and sub-indicators used for screening countries and companies for SRI purposes;
- identifies and issues advice on the aspects and themes that are socially questionable;
- verifies the completeness, reliability and accuracy of the screening results;
- monitors the transparency policy for the approach to, and results of, the screening;
- issues advice on whether the SRI funds comply with KBC's policy on corporate sustainability and responsibility.

The EAC monitors the SRI quality of the Eco funds. Like the EAB, it is made up of academics and experts who specialise in various environmental disciplines. The EAC:

- monitors the SRI quality of the Eco Alternative Energy, Eco Water, Eco Climate Change and Eco Agri funds;
- approves the methodology and screening criteria used by KBC Asset Management;
- outlines the themes in which the ECO funds will invest;
- undertakes research into, and provides advice on, technological developments in the areas of alternative energy, water, climate change and agriculture.

The precise composition of the EAB and EAC is provided at www.kbcam.be.

In 2013, the KBC Asset Management research team developed a sustainability screening model for emerging market companies. As a result, KBC Asset Management's fund managers now have access to a universe of sustainable emerging market companies alongside the universe of sustainable companies from mature markets. KBC Asset Management launched the KBC Equity Fund SRI Emerging Markets sub-fund in 2013 with the aim of allowing investors to capitalise on this.

To protect the interests of investors in KBC funds, KBC Asset Management has since 2007 been actively using the voting rights attached to the instruments (mainly shares, but in some cases, corporate bonds, as well) KBC funds have in portfolio. In 2013, KBC Asset Management drew up a detailed set of voting recommendations to ensure the consistency and independence of such recommendations. KBC Asset Management will publish this set of recommendations on its website in the first quarter of 2014.

KBC and the Equator Principles

EP III: officially launched

The revision of the Equator Principles was officially finalized in March 2013, with all 79 EP members approving the EP III. On June 4th, 2013, at the occasion of the 10th Anniversary of the EP, the EP III were officially launched, but EP Association Members had a transition period from 4 June 2013 to 31 December 2013 to implement EP III. From January 1st, 2014, the EP III apply to all new transactions.

Main changes compared to the EP II

1. Extension of scope

- Specific recognition of climate change, biodiversity and human rights, as well as the acknowledgment that negative impacts on project-affected eco-systems, communities and the 'climate' should be avoided, if possible. If the impacts are unavoidable, as appropriate, these should be minimized, mitigated and/or offset.
- Besides Project Finance Transactions and Project Finance Advisory Activities, the EP will also apply to:
 - [Project-Related Corporate Loans](#), including Export Finance in the form of Buyer Credits, subject to 4 criteria:
 - Majority of loan is related to a single project, over which the client has effective Control (either direct or indirect);
 - Total aggregate loan amount is at least USD 100 mln;
 - Individual Equator Principle Financial Institution (EPFI) commitment (before syndication or sell down) of at least USD 50 mln;
 - Tenor is at least 2 years.
 - [Bridge Loans](#), with tenor of less than 2 years, and that are intended to be refinanced by Project Finance or Project-Finance Corporate Loan (i.e. anticipated to meet relevant criteria as mentioned above).

2. New

[Approach for Project Finance Advisory Services and Bridge Loans:](#)

- EPFIs should make client aware of content, application and benefits of applying the EP to the anticipated project.
- EPFIs will request the client to communicate its adherence to the requirements of the EP when subsequently seeking LT financing.

[Client Public Reporting Requirements](#)

For all Category A and as appropriate, Category B projects:

- Summary of Environmental and Social Impact Assessment is accessible and available online.
- Green House Gas (GHG) emission levels for projects emitting over 100,000 tons of CO₂ annually during operational phase.

3. Adjustments

| Topic | Current wording | New Wording |
|-------------------------|--|--|
| Country designation | Assessment process in High-Income OECD Countries is an acceptable substitute for the IFC Performance Standards. | <ul style="list-style-type: none"> • Assessment process in “Designated Countries” is an acceptable substitute for the IFC Performance Standards. • For the time being ‘Designated Countries’ refers to High-Income OECD Country list, however the list is being revisited to verify its appropriateness. • Any future “Designated Country” list will be made available on the EP Website. It is expected that such list will not be significantly different from the High-Income OECD Country list. |
| EPFI Public Reporting | High level reporting: Number of “Transactions Screened and Closed” and categorization. Info on implementation process. | <p>Minimum requirements: Number of “Projects Closed” including: categorization, sector, region and whether an independent review has taken place. Project Names for Project Finance transactions, subject to client consent. Information on EP implementation process including roles and responsibilities, staffing, policies and procedures. Details on training mandatory for first year of EP adoption.</p> |
| Client Public Reporting | Not applicable | GHG emission levels for projects emitting over 100,000 tons of CO ₂ annually during operational phase. |
| Social | Social risks due diligence. “Free Prior Informed Consultation. | <p>Social and relevant human rights due diligence. “Free Prior Informed Consent” (FPIC) in specific circumstances. Explicit reference to address human rights in Preamble. Reference to “Guiding Principles on Business and Human Rights, implementing the UN Protect, Respect and Remedy Framework”.</p> |
| Climate Change | As part of Environmental, Health and Safety (EHS) guidelines and general due diligence. | <p>Explicit reference in the Preamble to address Climate Change. Attention in due diligence. Alternative analysis for high emitting projects in line with IFC (Performance Standard 3). Project reporting requirements on GHG emission levels: Mandatory : projects emitting >100K tons of CO₂. Encouragement: projects emitting >25K tons of CO₂.</p> |

Given the change in the business strategy in 2009, as a result of which KBC's involvement on the international project finance platform has been substantially reduced, the impact of the EP III is deemed to be limited.

In fact the main implications of the EP III for KBC relate to the following:

- EP will equally apply to all industry sectors, including commercial real estate projects.
- Beside project finance facilities, the EP will also apply to project-related Corporate Finance and Bridge Loans.
- Adjustments to the reporting requirements.

In the first half of 2014, Credit Risk and Corporate and Social Responsible (CSR) Managers, as well as Equator Principles Coordinators and Credit Risk Advisors within the different KBC entities will be formally informed about the EP III and how these new guidelines should be incorporated within KBC's project finance and related lending activities.

Project Finance assessment in 2013

In 2013, for the third consecutive year, KBC witnessed a decline in its project finance activities, which can be attributed to the awaiting attitude from the side of investors given the uncertainties caused by the new Renewable Energy Policy of the Flemish government, in particular the calculation of the value of the 'Green Energy Certificates'. Further adjustments to EU government support policies for the renewable energy sector, combined with the continuing Euro and economic crisis add to these uncertainties. In addition, there is the not to be underestimated impact of the revised strategy of the KBC Group whereby only project finance transactions in KBC's home markets are accommodated.

Meanwhile, though, KBC continues its involvement in the financing of Public Private Partnership (PPP) investments in the infrastructure in Flanders, Belgium. Besides for the construction of schools and prisons, this type of financing is also used for infrastructure projects, including roads, tunnels, tramlines. But, remarkable is the increased 'lead time' needed to reach financial close, mainly on account of the extended discussions regarding the permitting process.

The table below provides the number and share of the transactions which were closed by KBC in 2013. In line with the June 2006 revision of the Equator Principles, KBC has committed to apply the Equator Principles to all projects with total investment costs above USD 10 mln.

Equator Principles assessed by project category

| 2013 | Total number of transactions | |
|------------|------------------------------|---|
| | Number | As % of total investment costs of projects financed in 2013 |
| Category A | 0 | - |
| Category B | 1 | 13 % |
| Category C | 4 | 87% |

In 2013 KBC closed only 5 project finance transactions, including one refinancing, compared to 11 projects closed in 2012. All projects were financed on a bilateral basis, which also reflects the limited size of the investment costs per project. Indeed, for 4 of the financed projects, investment costs per project were below USD 30 mln. In only one project, total investment costs were slightly above USD 100 mln.

Worth mentioning is that the reported statistics do not take into account the small-sized projects in the renewable energy sector, with total investment costs below the USD 10 mln threshold both in Belgium and Central Europe. However, in contrast to previous years, the number has dropped substantially, which is line with the larger projects, but also reflects the impact of the change in the government renewable energy policy in KBC's home markets.

The following tables illustrate the sector concentration and geographical distribution.

Equator Principles assessed by category and sector

| 2013 | Energy | Infrastructure | Total |
|------------|--------|----------------|-------|
| Category A | - | - | - |
| Category B | | 1 | 1 |
| Category C | 2 | 2 | 4 |
| Total | 2 | 3 | 5 |

For the second consecutive year, KBC was not involved in the financing of Category A projects, of which the adverse environmental and social risks and/or impacts are deemed diverse, irreversible or unprecedented. The Category "B" entails projects in the infrastructure sector, in particular the construction of sporting facility under the PPP investment program in the Flemish community of Belgium. Whereas the Category "C" projects, their impact on the natural and social environment is considered rather limited or minimal, refer to the financing of renewable energy projects (solar energy).

Equator Principles assessed by category and region

| | Western Europe | Central & Eastern Europe | | | | | | |
|------------|----------------|--------------------------|------|------|------|------|------|------|
| | 2013 | 2012 | 2011 | 2010 | 2013 | 2012 | 2011 | 2010 |
| Category A | | - | - | - | - | - | - | - |
| Category B | 1 | 1 | 1 | 2 | - | 1 | 1 | - |
| Category C | 1 | 4 | 3 | 10 | 3 | 5 | 4 | 11 |
| Total | 2 | 5 | 4 | 12 | 3 | 6 | 5 | 11 |

Similar to previous reporting years, KBC did not participate in the financing of project finance transactions outside its home markets, which is in line with the 2009 change in the overall business strategy to focus on its home markets.

Also, a number of project finance transactions have been rejected, but none of these were primarily on account of environmental and/or social concerns.



Our stakeholders



Improve
 These are items our stakeholders consider **important** but on which KBC **scores less high**.

Foster
 These are items our stakeholders consider **important** and on which KBC was **scored well**.

Monitor
 These are items that our stakeholders consider **less important** and on which KBC did **not score highly**.

Maintain
 These are factors on which KBC **scores well**, but which our stakeholders consider **less important**.

Dialogue with stakeholders

We wish to engage in open dialogue with all our stakeholders, with scope for feedback, criticism and pressing questions, and to act on the comments and suggestions received.

In 2013, we conducted an in-depth survey of our stakeholders for the first time. We asked them not only to rank the themes given in order of importance, but also to assess KBC in those areas. On this occasion, we restricted the survey to a few groups of stakeholders in Belgium, but we hope to increase its scope in 2014.

The survey showed that our clients, suppliers and members of the Board of Directors all ranked the same items as 'extremely important'. These were financial stability, the quality and transparency of products and services offered, short-term and long-term strategy and sound risk policy. In other words, doing business and allowing business to be done in an honourable fashion. We trust that this report will give you an insight into what this means to us.

The results of our employee survey are not included in the matrix. Firstly, because the survey was part of a wider, general, annual satisfaction survey and, secondly,

because their answers showed a different bias, with financial stability being the most important factor, followed by job security, wage policy and transparency.

Progress means listening, learning and responding to feedback.

an employer. A summary of the major aspects and points for attention highlighted by the survey is given on page 22.

The areas requiring attention are set out in the red box. Financial stability is a basic condition for us, too and our efforts in this area have led to our robust capital position. Our PEARL strategy is a long-term vision, which puts the focus on our clients (protecting consumers and insuring the economy). The price/quality ratio continues to be an area for development. We have taken a number of steps to improve transparency, including drawing up this report.

If you have any more suggestions, remarks or ideas, please let us know. We'd be glad to hear them.

Our clients

We remain focused on long-term relationships with our clients. This year, we not only launched a survey for measuring customer satisfaction, but also a broader stakeholder engagement plan, in order to detect our clients' concerns, priorities and needs.

The results are clear. We must focus on our financial stability, the quality and transparency of our products and services, our long-term strategy and responsible risk management. Clients are concerned about their children's future and they want to maintain their standard of living, even in old age.

Our main priority at KBC is to offer high quality products and services to our clients, and more importantly yet, to make sure we offer the right product to the right client.

More than ever, society in general and the individuals that make up society are changing, resulting in different needs and priorities and a changing environment. It is our responsibility to meet these changing needs and to be able to develop along with society.

We aim to prevent our clients from taking on too much debt and continuously improve and audit our different procedures and controls to avoid over-indebtedness.

In the Czech Republic, for instance, ČSOB joined Poradna, a non-governmental, non-profit organisation that provides advice to consumers potentially facing, or already in, a state of insolvency. Poradna also assists consumers in preparing an overview of their income and expenses with the aim of finding a source of funds to pay their instalments in situations where they are considering taking on a financial obligation (such as a loan or credit facility). ČSOB also offers advantageous loans for clients who were affected by floods, new flexible loans that enable clients with a loan to adjust the instalment terms during the repayment period.

In Bulgaria, CIBank, in cooperation with EBRD, launched an 'Energy efficiency' loan programme to help Bulgarian households to improve energy efficiency in their homes and thus reduce heating costs. Upon successful completion of the planned energy efficiency actions, every borrower is entitled to receive a grant provided under the line up to 30%.

These are but a few examples of how KBC tries to meet clients' needs and, more importantly, offer the best possible solution to help clients through difficult periods.

In order to be proactive, respond immediately and learn from mistakes, we have complaint handling regulations and procedures in place in each of our core markets that enable us to solve clients' problems as quickly as possible and with all due respect for the client.

All KBC employees receive training in ethical sales procedures. They also have to comply with the KBC Code of Conduct, which requires ethical, respectful and 'correct' behaviour towards our clients.

Our employees

Sustainable growth and a high level of customer satisfaction can only be reached with a strong team of employees. At KBC, we realise that it is our responsibility as an employer to meet the needs of our employees. Our annual employee satisfaction survey helps us to develop new campaigns, detect concerns or deficiencies and improve our HR policy.

We employ more than 36000 employees in the group as a whole. We invest in talent, stimulate creativity and offer training and education in order to anticipate changes in mentality, regulations and society.

Under the PEARL strategy, which was launched in 2012, all employees have the opportunity to raise any potential area of improvement within KBC. PEARL encourages entrepreneurship, creativity, accountability and a focus on results.

In all of our home markets, we have launched initiatives aimed at improving working conditions and the work/life balance and developing our employees' talents.

Our employees are offered a range of possibilities to improve their working conditions: flexible working hours, the possibility of working part time, working from home, special benefits for special occasions (marriage, child birth, etc.), health insurance for all employees and re-insertion programmes after periods of absence.

In response to changing regulations and a changing society with a rapidly ageing population, we launched a new HR programme that allows employees aged 55+ to make some changes in their careers.

There is no standard solution for working longer, so we have developed 'Minerva', an HR programme that offers a range of options and opportunities to our 'experienced' employees. Older employees have outstanding expertise in their field, and we would like them to share this with colleagues or external partners.

Minerva offers five different career paths:

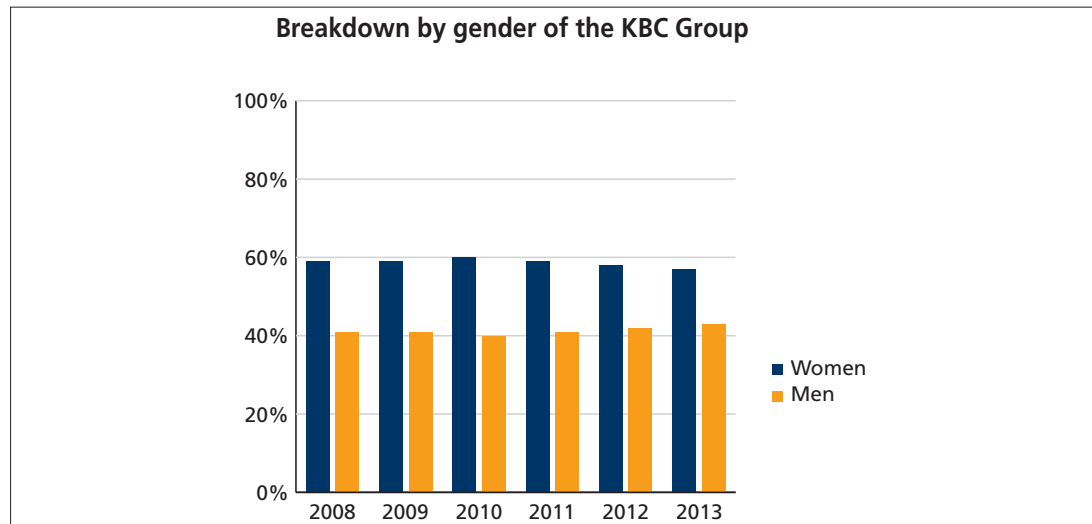
- Remain at the same level: no change in either the job level or employment percentage.
- Work less: no change in the job level, but the employment percentage is reduced.
- Work at a lower level: job level drops, but employment percentage remains the same.
- Work less and at a lower level: both job level and employment percentage are reduced.
- Employment outside KBC: involves external partners/organisations with a social profile that fits with our group CSR strategy.

Each of these options creates a win-win situation for both the employee and KBC. After all, an employee with new challenges and ambitions will also contribute to KBC's long-term vision and sustainable growth.

Human resources – quantitative data on the group

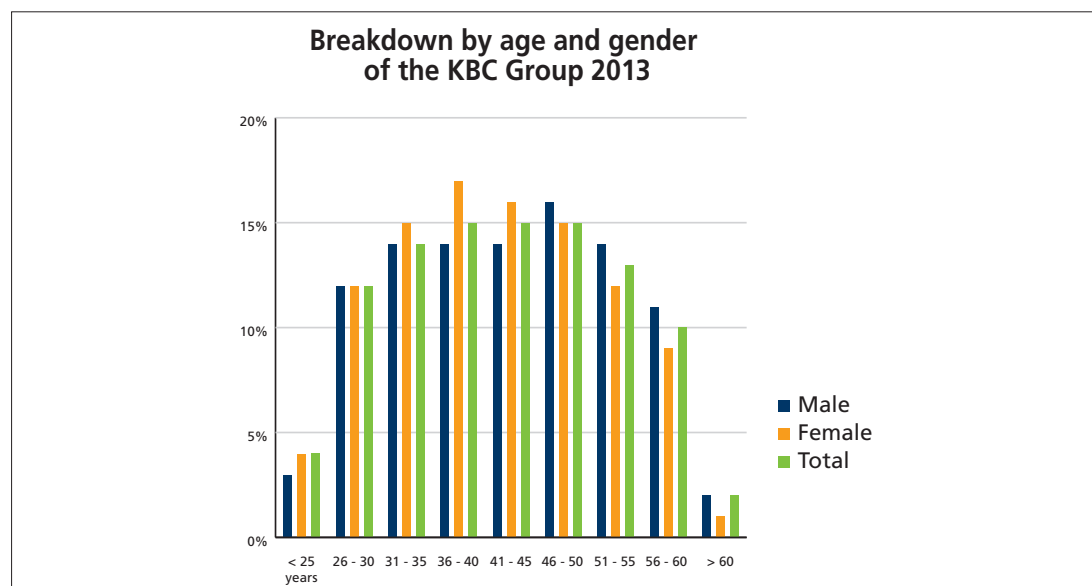
Please note that the annual 2013 data provided below, has been extrapolated from data for the period 1 January through 30 September.

In spite of the changes across the group, we have tried to ensure job stability for our employees. As the following graph shows, the breakdown by gender within KBC has remained very stable over the past six years.



The composition of KBC's workforce in terms of age in 2013 was broadly in line with previous years. The number of men in the 56-60 age bracket increased to 11%. This percentage had stabilised for a short while in 2012, following the rise from 6% to 9% between 2009 and 2011. The number of women in the same age bracket stabilised, having increased in 2011 (influenced mainly by Central and Eastern Europe). The average age of the total workforce is rising very gradually, from 38.9 in 2009 to 42 in 2013.

The average duration of employment is now 13.6 years (going up from 10.4 in 2009 to around 11.6 in 2010/2011 and 12.7 in 2012).



The table below shows the breakdown by pay grade. As a new definition of the different levels in pay grade was introduced in 2013, no prior comparative data is available.

The latest definitions are:

When senior/middle/junior management and white/blue-collar is mentioned, following definitions are to be used.

- White and blue-collar staff:
 - Hay level 0 to 10 or
 - (the categories used in Belgium) employment categories 1 to 6 or job grading 1 to 6
- Junior management:
 - Hay level 11 to 16 or
 - (the categories used in Belgium) job grading A, B and C
- Middle management:
 - Hay level 17 and 18 or
 - (the categories used in Belgium) job grading D and E
- Senior management:
 - (for entities making use of Hay levels) Hay level 19 and higher or
 - (for Belgium) formally listed in KBC Group's Top 400

Entities outside Belgium that don't use Hay levels, can turn to local definitions and are asked to provide us with these local definitions.

New definitions - outcome of the cross-country agreement - used for the first time in 2013 report: "TOP 300 KBC SENIOR MANAGEMENT POSITIONS – specific list of KBC Senior management positions within a competence of Corporate HR, internal KBC definition (used for specific internal reporting). For the CSR reporting please use the below mentioned definitions:

Besides that the general broader definitions are used, positions differentiated based on the local methodics used (Hay Levels, A-E levels, Mercer levels etc.).

Blue collars – manual workers, not to be reported (not relevant for KBC group).

For the CSR reporting please use the below mentioned definitions:

Besides that the general broader definitions are used, positions differentiated based on the local methodics used (Hay Levels, A-E levels, Mercer levels etc.).

Blue collars – manual workers, not to be reported (not relevant for KBC group).

Senior/middle/junior management/administrative employees

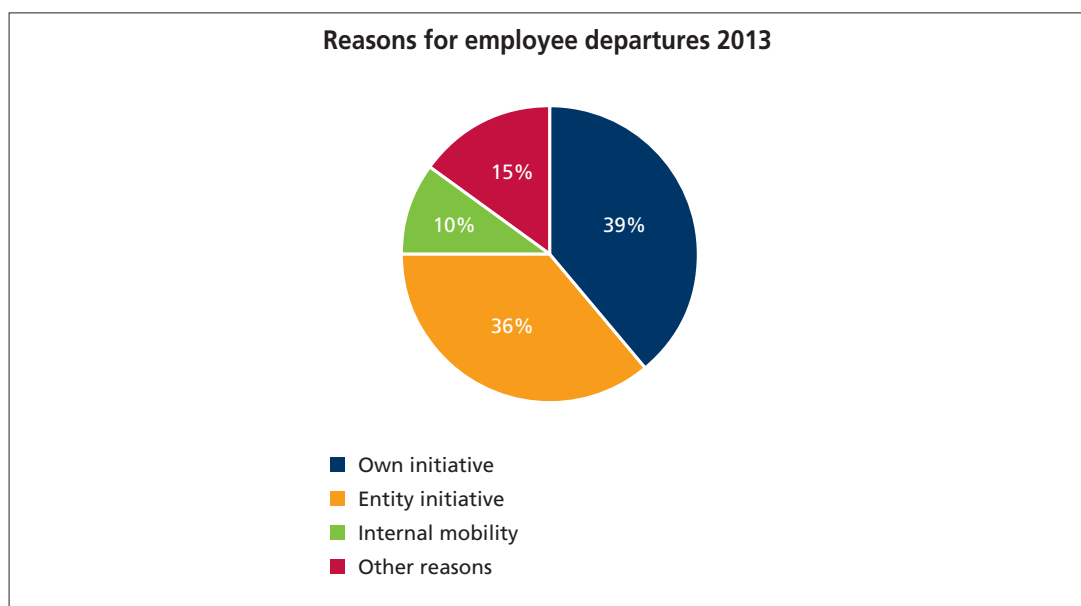
| | METHODICS | Senior Mgt | Middle Mgt | Junior Mgt | administrative employees |
|-----------------|-----------|--------------------------------------|----------------------------|---|--------------------------|
| Belgium | A-E, INT. | E | C-D | A-B | level 03-06 |
| Czech Rep. | HAY | 19 and higher | 17 - 18 HL | 15 - 16 HL | 14 and lower |
| Slovakia | HAY | 19 and higher | 17 - 18 HL | 15 - 16 HL | 14 and lower |
| Hungary | HAY | 19 and higher | 17 - 18 HL | 15 - 16 HL | 14 and lower |
| UK | NO | senior managers | assistant managers | senior officers | officers, clerical |
| Bulgaria DZI | MERCER | 56 and higher | 54-55 | 51 - 53 | 50 and lower |
| Bulgaria Cibank | MERCER | 54 and higher | 51-53 | 49 - 50 | 48 and lower |
| USA | NO | general managers, managing directors | directors, vice presidents | senior associates, associates, analysts | staff, senior staff |
| Ireland | HAY | 19 and higher | 17 - 18 HL | 15 - 16 HL | 14 and lower |

The low percentage of women at senior management level remains a concern. Despite the measures the company is taking to increase the presence of women at top level, there's still a long way to go.

| 2013 | |
|-----------------------------------|-----|
| Senior management | 2% |
| - of which women | 24% |
| Junior and middle management | 37% |
| - of which women | 39% |
| Admin empl. and blue-collar staff | 61% |
| - of which women | 68% |

Employees leaving the company.

The percentage of employee departures has fluctuated over the years. It was quite stable in 2012 (10.1%), but dropped to 8.5% in 2013. The following graph shows the reasons for departures. The percentage of departures due to internal mobility has levelled off (at or below 12% for the last four years). After three years of stability, the percentage of employees leaving at the company's instigation (around 27% in each of the past three years) increased in 2013 to 35.80%. And the number of employees leaving on their own initiative dropped back to 39%.



The percentage of new recruits decreased for the second year in 2013, to 6%.

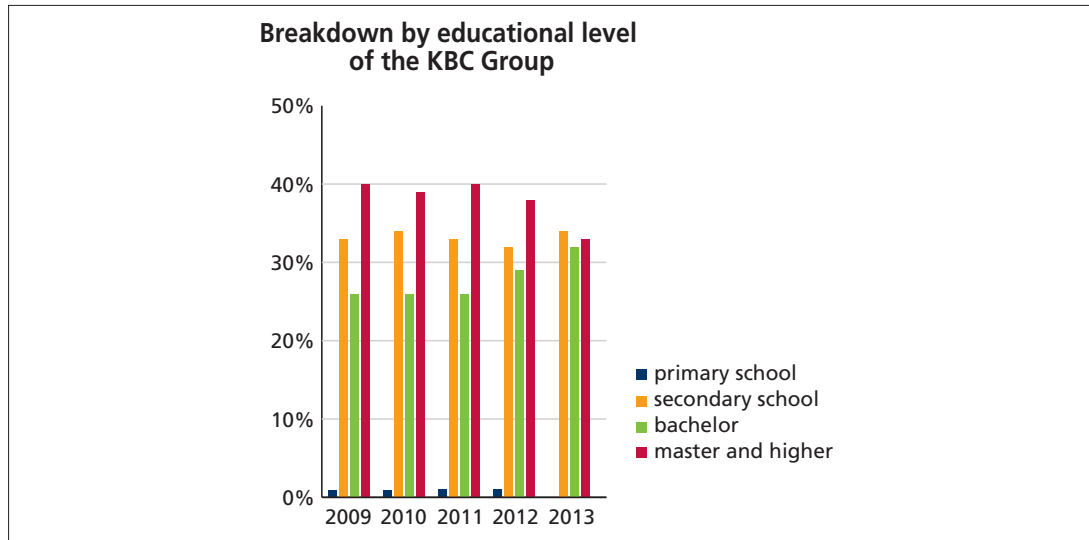
The ratio of new recruits to employee departures went down by 11.5% compared to 2012, due both to the large decline in new recruits and decrease in departures.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------|-------|-------|-------|-------|-------|------|
| New recruits | 15.6% | 6.3% | 9.3% | 10.6% | 8.2% | 6.0% |
| Employee departures | 10.4% | 12.1% | 10.5% | 10.8% | 10.1% | 8.5% |

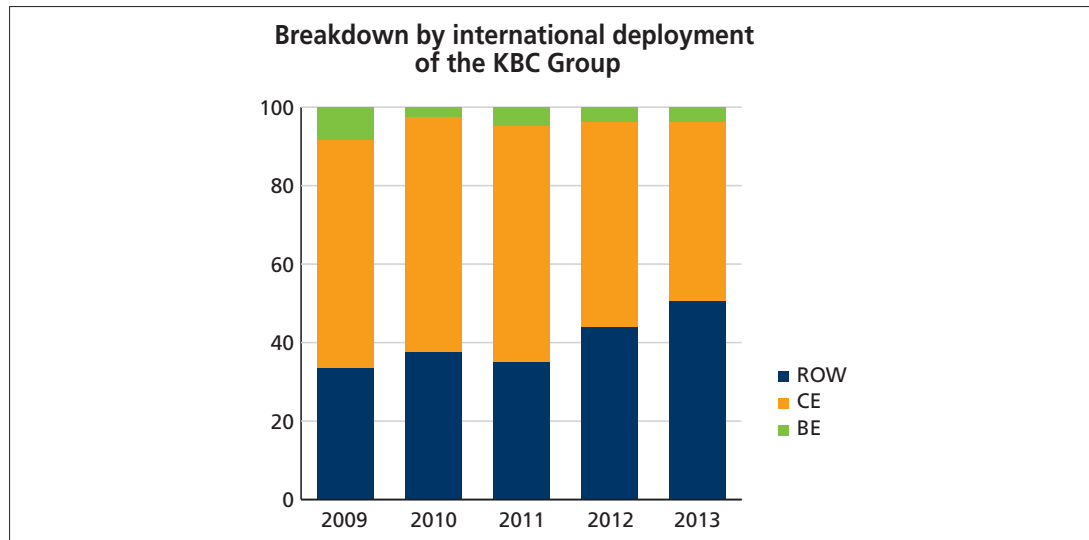
The following table gives some information about the changes in the number of course participation days. The total number of course participation days and the average number of training days per full-time equivalent (FTE) increased significantly. This is due to a change in the group-wide definition of courses, and means that the figure now includes e-learning.

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Number of course participation days (total) | 290 656 | 401 747 | 292 183 | 388 129 | 426 426 | 228 220 | 371 832 |
| In-house courses | 193 844 | 289 084 | 233 034 | 287 100 | 366 174 | 190 489 | 345 258 |
| External courses | 96 812 | 112 752 | 59 149 | 101 029 | 60 253 | 37 731 | 26 574 |
| Average number of training days per FTE | 7.44 | 6.52 | 5.19 | 7.09 | 9.33 | 6 | 10 |

The educational level of KBC's workforce has changed somewhat over the past five years. The percentage of employees with a primary university degree (master's degree in Belgium) or higher decreased, while the percentage of people with secondary school or non-university third-level qualifications (bachelor's degree in Belgium) went up.



The graph below shows that the percentage of employees deployed in Belgium has increased since 2010. Deployment outside Belgium and our Central and Eastern European core markets (ROW in the graph below) has been stable since the decrease in 2010.



The overall figure on employee absenteeism went down compared to a year earlier, thanks largely to the decline in sickness and maternity leave.

| Employee absenteeism, KBC Group (in %) | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|------|------|------|------|------|
| Due to | | | | | |
| Sickness | 8.4 | 7.5 | 7.7 | 6.7 | 3.3 |
| Maternity leave | 5.5 | 7.6 | 11.5 | 11.2 | 6.1 |
| Accidents | 0.2 | 0.2 | 0.1 | 0.3 | 0.1 |
| Other | 2.2 | 2.3 | 0.9 | 0.7 | 1.6 |
| Total | 16.3 | 17.6 | 19.3 | 18.8 | 11.2 |
| | | | | | |
| In Belgium | 8.4 | 8.2 | 8.7 | 8.9 | 8.1 |
| In CEE | 21.8 | 23.6 | 28.4 | 25.9 | 22.3 |
| In ROW | 9.5 | 16.2 | 10.3 | 11.3 | 9.5 |

Our shareholders and partners

One of our strengths is our strong core shareholder base, which supports our long-term vision and strategy.

[Cera](#), one of our main shareholders, is so much more than ‘just’ a shareholder – it is our partner and helps us to continue developing our sustainable business and to play a responsible role in society. Cera is well established and has 415 000 members, who all believe in the power of people, the individual and society as a whole. Cera’s aim is to invest in its members’ projects that contribute to the wellbeing of the weaker of society.

In 2013, the Boerenbond (the Flemish farmers association), KBC and Cera reconfirmed a 5-year joint venture agreement with Innovatiesteunpunt, a Flanders-based innovation support centre for agricultural and rural development. The mission of Innovatiesteunpunt is to inform and inspire farmers about new challenges and opportunities and to support them with the development and implementation of concrete projects by:

- [coaching farmers](#) on the development of early innovation projects and grassroots ideas;
- providing answers to [individual questions](#);
- giving standard [support](#) for general themes;
- supporting farmers with the [implementation of partnerships](#);
- using different types of [learning modules](#);
- organising [study events and training sessions](#) on social, strategic and technical innovation;
- [publishing articles](#) in specialised magazines, E-zines and on the website.

‘No future without innovation’: the Boerenbond, Cera and KBC strongly believe in stimulating creativity and innovation in this sector. The Boerenbond supports this initiative through its direct link with the sector and its agricultural expertise as a cooperative social investor. Cera continues to work on the social component and KBC will focus on the financial aspects. The three partners – each in their own area of expertise – will encourage and facilitate the requisite innovation in the sector.

KBC launches its annual savings campaign in October. In 2012, KBC and Cera launched a campaign that would make it possible to ‘support people who support people’; the ‘Big Thanks’ campaign whereby Belgian depositors could vote on different initiatives in volunteer aid, foster care or care provision networks, inspired 34 123 depositors to vote on one of the projects and thus to determine

which project received part of the 250 000 euros donated to Cera by KBC. For more information, go to [bigthanks](#).

Another of our joint projects is [BRS](#), concerning microfinance and micro-insurance in the southern hemisphere. Cera and KBC support the various initiatives and projects undertaken by BRS. The partnership of Cera and KBC with BRS fits both with the tradition of community involvement and with the basic business of financing the local economy. BRS and its projects have proven that microfinance and micro-insurance are a highly effective means of combating poverty. Cooperative banking and micro-financing can trigger a sustainable process that can have a positive influence on the everyday life of the weaker of society.

By organising Microfinance Lunch Breaks twice a year, BRS aims to create and maintain awareness and inform KBC employees, non-profit organisations, experts and managers about microfinance and micro-insurance.

On 7 March 2013, Professor Harry Hummels gave a talk on 'Microfinance as impact investing: but what impact?'. Impact investing is the new kid on the investment block. The term is brand new, but the practice it refers to has already existed for quite some time. Microfinance, for that matter, can be seen as an established form of impact investing before the term was coined. It is assumed to make a positive contribution to societal change. Impact investing differs from previous attempts to combine investments and social, environmental, cultural or other non-financial outcomes in two ways: it also attracts investments aimed at market-rate returns, and it attempts to measure impact in a systematic way.

The Microfinance Lunch Break session of 11 October 2013 focused on 'Interest rates in microfinance – abuse or necessity?'. Microfinance has very often been criticised because of the high interest rates charged. The interest rates in microfinance are indeed generally higher than those charged by banks. Are those apparently exorbitant interest rates justified? Could loan providers charge lower rates? Do clients get value for money? What is a fair interest rate? How is the microfinance sector changing? These and other questions were answered by Aldo Moauro, financial economist, and Marek Hudon, Ph.D. in Economics and Management Sciences and Master in Philosophy.

To find out more, please go to: <http://www.microfinancelunchbreak.be/>.

[Argus](#)

Whereas Argus used to be an independent, separate environmental centre that focused on creating awareness of the different environmental problems, it is now a fully-fledged member of the KBC CSR team. We are convinced that Argus can join KBC in developing new solutions and campaigns to combat climate change. More importantly still, Argus can be a think tank for innovative products and services that help KBC to finance the transition. Or in other words, to prepare us for the new society, where requirements, regulations and energy requirements are constantly changing.

For more information on Argus, go to: <http://www.argusmilieu.be/>.

Close the Gap

Our partnership with Close the Gap goes back a long way. Since 2006, we have been donating computer assets to Close the Gap, as we want to contribute to that organisation's ambition to close the digital gap, not only in the south, but also in those regions where we do business.

In 2014, we will start to explore possibilities for strengthening our partnership. Instead of just being a 'donating' partner, we wish to be part of the bigger picture and share knowledge and information with Close the Gap's local partners and projects.

We want to make the difference.

More information at <http://www.close-the-gap.org/>

Future generations – what about the environment?

Thinking about the future generations means thinking about the inheritance we leave for our children, their children and so on. The environment is one of the aspects of that inheritance. Hence, we – as a bank-insurance group – have to look for ways to do our part, to launch projects, which will have a direct and indirect impact on the environment. The following is a summary of the actions and initiatives taken in 2013.

Belgium

In Belgium, KBC is involved in 'Leuven Klimaat Neutraal 2030' (LKN 2030), a project aimed at achieving zero CO₂ emissions in Leuven by 2030. Our expertise in energy saving measures in our buildings, reduction of paper use and the use of sustainable techniques (e.g., LED lighting, heat pumps and cradle2cradle products) will prove useful. We will also consider opportunities to put our financial expertise at this project's disposal. For instance, we have seconded one employee to LKN 2030 for two years. In this way we wish to take our responsibility stemming from our core business. Like the previous year, employees' non-recurrent results-based bonus was linked to environmental targets in 2013. These included a reduction in average CO₂ emissions of our fleet, a decrease in the number of kilometres of business travel and commuter travel using the staff's fleet, a reduction in electricity consumption and keeping paper use under control.

On 31 January 2013, KBC Belgium was awarded [EMAS certification](#) for its support services, the first financial institution in Belgium to do so. EMAS is the voluntary European Commission's eco-management tool and audit scheme to help companies continually improve their environmental performance.

Bulgaria

CIBank, together with DZI, continued to support projects of the Sofia municipality for [improvement of the urban environment and renewal of green areas](#). They completely renovated Chaika park, painted benches in Zaimov Park and participated in the [spring cleaning of Sofia](#), painting street posts with special anti-fly-poster paint that prevents billboards and posters from adhering to surfaces.

Czech Republic

Ever since the new headquarters of ČSOB in Prague was built, we have been taking care of the land surrounding the building. Our endeavours to improve the quality of the verdure on the hillside to the north of the building was completed in 2013 by changing the terrain of the slope. First, we demolished the last remnants of an old farm that formed part of the former Radlice village. After that, we levelled the slope and removed old benches. In spring 2014, the hillside will be seeded with greenery.

We are well-aware of the fact that the area where our head office is based was inhabited long before ČSOB moved in. Therefore, we decided to approach a local NGO called Ekologická a humanitární služba občanů Na Farkáně (Ecological and Humanitarian Service to Inhabitants of the Na Farkáně Region) and shared with them our activities in the area as well as our future plans. It was very interesting to meet the NGO's representatives who were truly surprised at our plans. We

suggested that we wanted to be in a closer contact and offered them the use of our head office for their events, e.g., exhibition on the history of Radlice, presentations on this subject etc. They welcomed our initiative and inspired us to continue to take care of the neighbourhoods in which we operate and not limit this to our head office in Prague.

Hungary

In Hungary, K&H participated in 'Bringázz a munkába', the urban project of Budapest's authorities and the Hungarian Cyclists Club, which promotes travelling to work by bicycle.

On 14 February 2013, K&H Group's new head office was awarded gold international LEED® certification. Building 'K' of the head office is the first and only gold-rated office building in Hungary. It was constructed in compliance with the international system defined according to required environmental awareness and sustainability criteria, which include the selection of the location to full implementation and furnishing. LEED stands for Leadership in Energy and Environmental Design, a globally recognised rating system for the design, construction and operation of high performance green buildings.

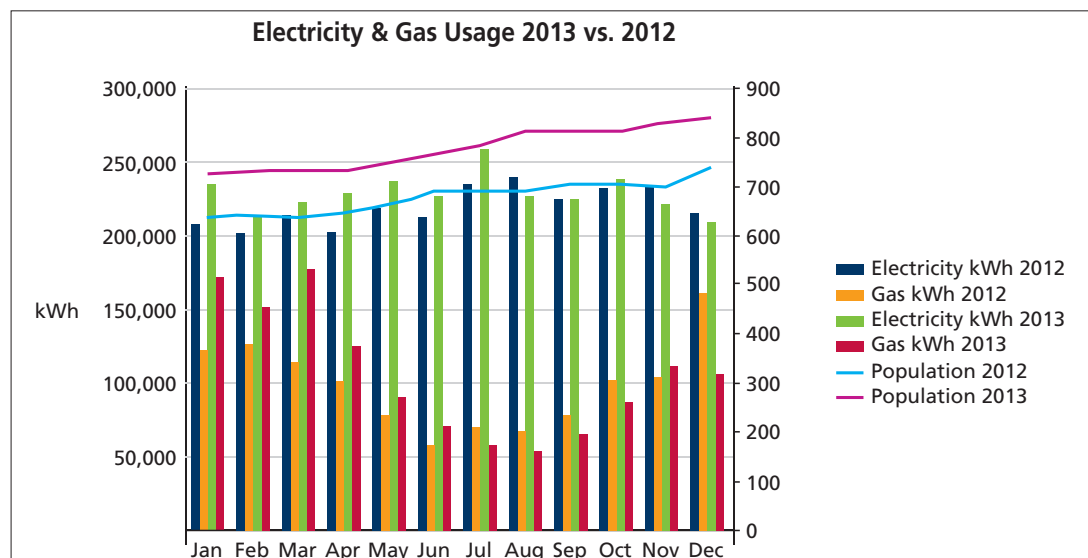
KBC Ireland

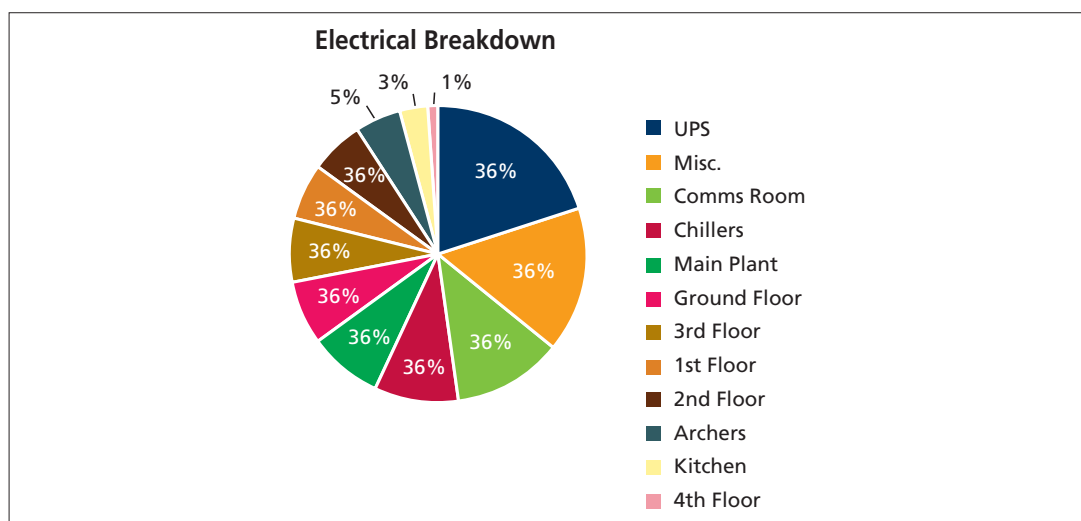
In 2013, chiller optimisers, summer boilers and boiler economisers were installed and are making KBC Ireland's head office more efficient. For example, we now use recycled hot air in the boiler room to heat the water much the same way as a heat pump would.

Since September 2013, energy usage is stable or fallen despite an average of 30% increase in staff numbers compared to 2012.

A monitoring and targeting system was installed that monitors all areas of the Dublin head office and gives us real time information on areas that use the highest amount of energy, so that we can focus on that area and correct if possible.

In 2013, we also removed all deskside bins and have instead recycling facilities at all tea/coffee stations. As a result, 41% less waste went to landfill in 2013 than in 2012.





2013 – Environmental Performances at KBC – Belgium Business Unit

| | Type of natural resource | | Indicator (unit) | Target | Performance | Overall performance | |
|----|--------------------------|--------------|---|-----------------|----------------------------|---------------------|------------------------------|
| | | | | | | | compared with reference year |
| | | | | set in 2012 (%) | achieved 2013 (% or value) | | |
| 1. | Non-renewables | fossil fuels | use of heating oil (GJ) | n.d. | ↗ 52 | ↘ 53 | ☺ |
| | | | use of natural gas (GJ) | ↘ ≤ 1 | ↗ 23 | ↘ 12 | ☺ |
| | | | commuter travel with private car (NRRV) (km) | ↘ < 0,5 | ↘ 9 | n.d. | ☺ |
| | | | business travel with private car (NRRV) (km) | ↘ < 0,5 | ↘ 20 | n.d. | ☺ |
| | | materials | number of recommendations for green procurement (number) | n.d. | 3 | n.d. | ☺ |
| | | | number of initiatives to keep materials in cycle (number) | n.d. | 3 | n.d. | ☺ |
| | | | number of initiatives to separate waste streams/avoid dangerous waste (number) | n.d. | 3 | n.d. | ☺ |
| | | | volume of waste (m³) | n.d. | ↗ 11 | ↗ 24 | ☺ |
| 2. | Renewables | electricity | elctricity use (GJ) | ↘ ≤ 1 | ↗ 0,11 | ↘ 22 | ☺ |
| | | | elctricity use (NRRV) (MWh) | ↘ ≤ 1 | ↘ 4,6 | n.d. | ☺ |
| | | | % from green procurement (%) | 100 | 100 | n.d. | ☺ |
| | | | % produced on site (%) | n.d. | 0,11 | n.d. | ☺ |
| | | paper | paper use (tonnes) | ↘ 5 | ↘ 9 | ↘ 45 | ☺ |
| | | | paper quality (% labelled) | 100 | 100 | n.d. | ☺ |
| 3. | Environmental conditions | water | tap water use (m³) | ↘ ≤ 1 | ↗ 3 | ↘ 41 | ☺ |
| | | | % use of rain water at head office (m³) | n.d. | 0 | n.d. | ☹ |
| | | air | CO ₂ emissions from energy use (tonnes CO ₂) | n.d. | ↗ 30 | ↘ 66 | ☺ |
| | | | CO ₂ emissions from lease fleet (NRRV) (g CO ₂ / lease car) | ↘ ≤ 2 | ↘ 4,9 | n.d. | ☺ |
| | | | replacement of cooling gas R22 (% replaced) | 100 | 95 | n.d. | ☺ |
| | | soil | investigations of soil and groundwater (number) | n.d. | 2 | n.d. | ☺ |
| | | space | measurement of gross surface space incl. green spaces (m²) | n.d. | n.d. | n.d. | ☹ |
| 4. | Biodiversity | | number of initiatives (number) | n.d. | 5 | n.d. | ☺ |

n.d. not defined

NRRV = non-recurrent results-based bonus

Government

We consider the governmental body as an important stakeholder. By working together, we can continue to develop systems and procedures that will improve the global financial sector.

We are also meeting our commitments to the government regarding the financial aid we received. On 3 July 2013, we made an accelerated initial repayment of 1.17 billion euros' worth of state aid plus a penalty of 0.58 billion euros (1.75 billion euros in total) – to the Flemish Regional Government. In January 2014, we repaid a second instalment (0.5 billion euros, comprising 0.33 billion euros in principal plus a penalty of 50%) to the Flemish Regional Government. This repayment was again ahead of the schedule agreed with the European Commission and was made possible by our robust capital position.

The full repayment to the Belgian Federal Government at the end of 2012, and the recent instalments to the Flemish Regional Government, brings the total amount paid so far in principal repayments, coupon payments and fees for the CDO guarantee to 9.5 billion euros.

By the time we have repaid all the aid we received, this total figure will have risen to more than 13 billion euros, compared to the 7 billion euros borrowed from the two governments in 2008 and 2009.

Community involvement

Being sustainable also means that taking a responsibility towards society.

At KBC we have a long tradition of supporting different projects that focus on poverty reduction, health and safety, financial inclusion and prevention.

Bulgaria

Over the last five years, CIBank has participated in numerous charity campaigns and has supported social projects in the spheres of health care, culture and youth. In 2013, CIBank wanted to add value to its socially responsible practices by focusing on volunteer activities among staff.

'Blue Summer' is a fine example of CIBank employees' involvement. 168 employees helped children from different orphanages to prepare for their seaside holiday. CIBank donated beach outfits and accessories, and also purchased a professional camera for each of the children's homes so that they could document their summer experiences.

Slovakia

ČSOB Slovakia continues to focus on its 'Head and Heel Programme', a contest for university students that encourages creativity and provides students with a foretaste of real business life. In March 2013, ČSOB organised the ČSOB Bratislava Marathon 2013, in which more than 7 000 runners participated. 421 clients of ČSOB group and 241 employees joined the event as active runners. Every mile counts: thanks to the sponsored marathon, the ČSOB Foundation raised 10 000 euros to buy fibre bronchoscopes for the children's hospital in Bratislava. Together with ČSOB Financial Group and the Children Cardio Foundation, the foundation launched a communication campaign under the name 'A Simple Bank Transaction Can Save Your Life'. With this campaign, the foundation raised money to purchase equipment for extra corporal circulation. Both clients and non-clients alike could contribute 1 euro or more by using ČSOB SmartBanking. ČSOB Foundation matched every euro raised by this campaign.

Czech Republic

In the Czech Republic, ČSOB staff and employees of companies that form part of the ČSOB Group have been participating in volunteering initiatives at various Czech NGOs for six years. By 15 November 2013, 588 employees had helped in the NGO sector. Those volunteering with NGOs in their free time can also apply for financial support from the 'Helping Together' grant fund. This year, 39 projects of this kind were supported, receiving a total of 952 776 Czech koruna.

ČSOB employees also help through sporting activities: 399 runners at the Prague Marathon and Half Marathon 'earned' 562 800 koruna to donate to the Committee of Good Will – Olga Havel Foundation. This organisation used the contributions to buy aids for disabled people. Football players helped through their involvement in the benefit tournament for Domov Sue Ryder, which raised 922 070 koruna. Another football team and a beach volleyball team participated in a tournament held by the League of Human Rights. This event raised 470 000 koruna in support of the Fair Hospital project.

214 employees have so far (by 15 November 2013) donated blood in the fourth year of the blood donation campaign.

Our employees also get involved in various drives. This year, they donated 20 935 koruna to Domov Sue Ryder, an organisation that was seriously hit by floods in June 2013, and the bank matched this donation. Twice a year, our employees also donate various items to charity shops run by the Sue Ryder organisation. Their profit finances services for the elderly who are cared for by the organisation. ČSOB also regularly supports benefit events organised by the NGO. Lastly, our staff help children from orphanages and children's homes fulfil their dreams. This year, they managed to achieve this in just two days – they presented gifts to 209 children from 7 homes. ČSOB also launched a pilot grant programme focusing on support to social enterprises.

The programme is open to:

- social enterprises involved in integration, which employ disabled people or people with certain social disadvantages (young people in difficult social situations, homeless people or ex-prisoners, people recovering from addictions, ethnic minorities, the long-term unemployed and people caring for dependent family members);
- social enterprises contributing to local community development or providing services beneficial to the public in the area of social inclusion (e.g., profitable activities of NGOs allowing for co-financing of their core activities, environmental entrepreneurship, fair trade, community agriculture).

Hungary

In Hungary, the K&H Group continues to concentrate its resources on its four high-priority areas: environmental protection, sports, children's health care and creating an attractive workplace remain the focus of K&H's CSR strategy. Within the CSR activities, community involvement also focuses on four areas: sport, children's health, youth education and the performing arts.

In 2013 K&H Group participated in three areas with its community initiatives, i.e. children's health care, sports and youth education.

Children's health care

2013 was the tenth year running that K&H supported Hungarian children's health care through its K&H MediMagic programme.

Nation-wide medical equipment tender

This year, the jury selected eleven institutions to be awarded financial assistance totalling 20 million HUF, which will be instrumental in speeding the recovery of some 12 000 children. To mark the tenth anniversary of the programme, K&H also offered a special award of a further 5 million Hungarian forint, which may contribute to the lives of babies in need of a liver transplant. In the past ten years, K&H MediMagic has contributed more than 476 million forint used to purchase equipment for 257 institutions in total.

Medical equipment donation for Christmas

In 2013, we again contributed the sum earmarked for buying Christmas presents for our clients and business partners to the K&H MediMagic programme, and purchased equipment worth a total of 5 million forint for three institutions.

Volunteer programmes

Support from employees and partners

Staff and partners have been involved in the K&H MediMagic programme right from the outset. Gravoform, an SME client of ours, has been a staunch supporter of our programme for many years. In 2013 it donated 600 000 forint to the hospital in Sopron. Staff were again able to voluntarily donate 1% of their personal income tax payable to the K&H MediMagic programme in 2013, as a result of which 1.1 million forint was collected.

Story-telling doctors

Since the launch of the K&H MediMagic programme, we have been striving to help the institutions providing children's health care services with more than just instruments and equipment, by also contributing to the spiritual healing of the patients. Under our 'story-telling doctors' programme, volunteers visit the children's units of hospitals to read stories to patients and so help brighten up their hospital stay. Sessions – which were opened to the public in August 2013 – were held in 40 institutions in 2013, involving 3 500 volunteers up to 15 November 2013.

Sport

K&H Group has been sponsoring the Hungarian Paralympic Committee since 2006. The group signed its cooperation agreement with the Hungarian Paralympic Committee for the next 4-year paralympic cycle in a special official ceremony. Under the agreement, K&H will remain the silver-rated sponsor of the Hungarian Paralympic Committee and the 'Bank of the Hungarian Paralympic Team' until the Rio Paralympics.

In addition to competitive sports, we also support mass sport events. In 2013, we organised the tenth K&H running day series in two rural towns. People wishing to exercise could also compare their skills in the marathon and half-marathon held in Budapest. The K&H cycling day was also held in the countryside in 2013. 14 000 people put on their running shoes or hopped on their bikes to take part in K&H's sporting events in 2013.

Youth education

Several pieces of research show that the adult Hungarian population is under-informed on financial matters. The primary objective of our financial competition for primary schools - 'K&H Ready, Steady, Money!' - is to ensure that the adults of the future obtain basic financial knowledge as early as possible. In that way, they will be able to make more informed economic decisions as adults, thus increasing their chances of living a fuller life. The financial competition for primary schools entitled 'K&H Ready, Steady, Money!' was again held in the 2012/2013 school year. Applications again hit a record high, as this time 696 teams, involving over 3 000 pupils from 236 schools and 154 cities, tested their knowledge. The nationwide final of the 2012/13 'K&H Ready, Steady, Money!' was held in Budapest in May 2013. The children won various toys and technical equipment, while schools received office equipment, sports equipment and book packages. The teachers involved in preparing the children received gift vouchers in return for their efforts. We also awarded a prize to the teacher who prepared most teams for the competition. The prize went to a teacher from Nyíregyháza in Hungary, who prepared 34 teams for the competition.

Ireland

In May 2013, 23 employees of KBC Ireland (KBCI) participated in the Peloton charity cycle in aid of KBCI's chosen charities, Barretstown and Barnardos. They cycled 760 kilometres over six days, cycling from KBC's head office in Brussels to KBC in Dublin. The group raised 35 000 euros net, which was then matched by KBCI so that each charity received a cheque for 35 000 euros.

KBC Bank Ireland supports Junior Achievement Ireland through staff participation in programmes for schools in the local community. Junior Achievement Ireland is a not-for-profit organisation which teaches enterprise skills to young people and targets those at risk of leaving school early.

Junior Achievement offers 17 enterprise, maths, science, life skills and diversity programmes for students aged 5-18 years. The programmes are taught in the classroom by representatives from organisations including KBCI.

KBCI staff inspired and motivated over [250 students in nine primary and secondary schools](#) in the 2012/13 school year. KBCI's Junior Achievement programme continues in the 2013/14 academic year.

KBCI is committed to supporting community initiatives and encouraging employee involvement with these organisations. Our contribution is made through the generous giving and volunteering of staff along with financial support and encouragement by KBC.

In 2013, our two charities were Barretstown (camp for children with serious illnesses) and Barnardos (charity for vulnerable children and advocate for children's rights). Volunteering highlights in 2013 include:

- KBCI staff volunteered at Barnardos 5k Wedding Run in the Phoenix Park, Dublin;
- KBCI staff participated in sporting challenges such as the Grant Thornton 5k (in aid of Pieta House suicide prevention service) and the Dawn Riders cycle in the Phoenix Park (in aid of our chosen charities, Barretstown and Barnardos);
- Food trolleys placed in KBCI head office successfully collected donations for the Crosscare/St. Vincent de Paul summer appeal to tackle food poverty;
- Staff volunteering at puppet shows for Barretstown and Central Remedial Clinic;
- KBCI team participated in the GPS 'Opening Doors Treasure Hunt' in aid of homeless charity Peter McVerry Trust;
- KBCI staff organised a charity walk on Lugnaquilla, the highest mountain in Co. Wicklow, raising in excess of 1 500 euros for Barretstown and Barnardos;
- At Christmas 2013, KBCI staff organised their annual carol singing event to raise funds for Barnardos and Barretstown;
- Staff participation in away days at Barretstown and Barnardos sites included gardening, painting and other practical projects to improve the environment for the children who use these services.

Belgium

In Belgium, as a longstanding partner of Kom op tegen Kanker (an organisation that works towards combating cancer), KBC supported the fourth edition of the '1 000 km' Kom op tegen Kanker challenge. Fifteen teams (each of four dedicated KBC employees) accepted the challenge to cycle 1 000 km.

Azaleas were sold in KBC's head offices for the benefit of Kom op tegen Kanker; 1 404 azaleas were sold, a return of 8 424 euros for Kom op tegen Kanker.

We support organisations that help the unprivileged, combat social discrimination and have a focus on projects that help young people to become independent. We support in particular those projects in the cities where we have our activities and our head offices.

In Brussels for instance, we support ToekomstAtelier, where every Saturday morning, talented young people get the opportunity to meet professionals from various sectors in order to broaden their horizons.

In Antwerp, we support KAVKA, an organisation that helps young people take up their responsibility in society.

In Ghent, Uilenspiegel, in cooperation with KBC, further develops supervision and coaching for home work. This collaboration between volunteers, parents and children not only leads to better school results, it also improves community cooperation.

KBC aims to be a good neighbour and as such we want to create awareness and stimulate interest among our employees for the Molenbeek neighbourhood in Brussels where our head office is located. The different lunches organised in the Molenbeek neighbourhood are a good example of how KBC employees get the opportunity to discover the various social projects KBC supports. We actively stimulate volunteer work. For instance, KBC volunteers man the switchboard for Kom op tegen Kanker (the Flemish cancer charity) and the KBC solidarity plan supports each year about 50 organisations where KBC employees are active in their free time. This solidarity plan focuses on organisations that work with disabled, unprivileged or immigrants. The organisations receive a cheque of 1250 Euro.

Each KBC department or team can also participate in a Time4Society event, as part of their HR activity, where the entire team can do half a day's volunteer work in Time4Society projects.

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