

**Houses of the Oireachtas**

**Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach**

**21<sup>st</sup> May 2019**

**Opening Comments Chief Executive Officer for KBC Bank Ireland**

**Pre-circulated to the Central Bank of Ireland**

## **Introductions**

Chairman, Members of the Oireachtas Finance Committee, thank you for inviting us here today. Can I firstly introduce our team, Dara Deering Executive Director Retail, Barry D'Arcy Chief Risk Officer, Brendan Mahon Director of Recovery, and myself Peter Roebben, CEO of KBC Bank Ireland.

We understand the importance of these hearings and of your Committee, Mr Chairman. As elected politicians, you represent our customers and the people of Ireland, and we appreciate this opportunity to engage with you.

We will of course answer any and all questions you may have following completion of our statement. If we don't have answers immediately to hand, we will endeavour to secure a response in a timely manner.

## **At our core : Customers and Transformation**

I am delighted to have been appointed as CEO of KBC Bank Ireland. This country is vibrant, outward looking and ambitious for its people and places a premium on innovation, which is an exciting prospect for a bank like ours.

While I am new to Ireland and I arrive into a thriving economy and society, that does not mean I am unaware of events in Ireland's recent banking past. I see it as essential to my mandate to show our customers that we have absorbed the lessons necessary for embedding positive change, ensuring that their needs stand at the centre of KBC's way of doing business.

The process of change has already begun in KBC, with a comprehensive transformation plan being put into place step by step. This plan will be underpinned by the PEARL values we hold throughout KBC Group – values of Performance, Empowerment, Accountability, Responsiveness and Local embeddedness, which means as KBC we embrace the diversity of our teams and customers in all our local markets. I recently had the pleasure of meeting the Chair of the Banking Culture Board, Justice John Hedigan, retired, with whom I was extremely impressed and I am pleased to share with you that my colleague Dara Deering, Executive Director Retail in KBC, will be our representative on that recently established Board.

My experience has taught me that for cultural change to be credible and sustainable, it takes time and you must have a clear horizon to move towards. It starts at the top but must ultimately engage every last member of our staff. It also requires that all financial institutions work together, towards that horizon with the common goal of rebuilding trust within the sector. It is my intention that KBC Bank Ireland fully embrace Irish society's call for change.

## **Driving Innovation, Choice and Performance**

KBC represents choice in banking in Ireland. As a core market of KBC Group, KBC Bank Ireland is committed to making banking as easy as possible for Irish people. Customer needs are changing rapidly. We understand this, which is why we are combining customer service with unrivalled digital capabilities to deliver a unique, innovative and transparent banking experience. We provide the kind of ease and convenience people seek so they can get on with living their lives.

We are building a banking of the future model with customer ease at the heart of it. The launch of KBC multi-banking, a market first, means that our customers can now check the balance of current accounts held with other financial institutions: after a few months already more than 2,500 customers are availing of this service. We are the only bank to have opened our banking app to the digital wallets of external providers. As another first we recently launched two Socially Responsible Investment Funds(SRI). The funds are designed to balance environmental and social good and offer more investment opportunities to socially conscious consumers in Ireland. For customers seeking person-to-person interaction, our KBC hubs have longer, more customer friendly opening hours, and our contact centre is available 24/7, 365 days in the year. We are stepping up to extend this innovative approach with a KBC Business Banking service specifically designed for micro-SMEs in Ireland.

Our recently published Q1 results tell a positive story about the choice we offer in the market. More than 18,000 new customer accounts were added in the first three months of the year, bringing total customer numbers to just under 300,000. New mortgage lending by KBC Bank Ireland reached over €216 million for Q1 2019, representing an increase of 9% on Q1 2018 and digital mobile activity increased by 50% year on year. Overall KBC Bank Ireland reported a net profit of €15 million after tax and impairments for the first quarter of this year. Our results show that customers are clearly seeking that alternative choice when it comes to their banking. And KBC is providing that consumer choice.

## **Supporting Customers in Financial Difficulty**

The remaining Non-Performing Loans at KBC today concern primary dwelling homes. Our approach here remains as it has been for some time, which is to reduce non-performing loans in an organic way.

For us, communication is key, and every effort is made to establish and keep open communication channels with every individual customer who is experiencing difficulties meeting their repayments.

In my first few weeks of arriving here, I visited our arrears solutions unit, in order to gain a clear understanding of what is happening on the front line. We have a special team who look after the most difficult cases and I sat down with them to look through some of the cases currently being dealt with. When it comes to the issue of Non-Performing Loans and arrears, I believe that we should continue to tread carefully. We must remain conscious of the vulnerability of those who find themselves in difficulty and behave accordingly.

All arrears cases related to a borrower's principal dwelling house are afforded the benefit of the Mortgage Arrears Resolution Process ("MARP") as set out under the Central Bank of Ireland's Code of Conduct on Mortgage Arrears. The success of the Mortgage Arrears Resolution Process at KBC is evident in the number of arrears cases where resolution options have been implemented. In circa 90% of its arrears cases borrowers have agreed a resolution option with KBC. Resolution options remain available at any time to the constructively engaging borrower, regardless of a borrower's history, and at all stages of the legal process. The loss of a home is a significant trauma in someone's life. That is why we insist on repossession being an action of last resort, coming at the end of an extensive process designed to identify a solution that keeps the occupant in their home.

### **Tracker Mortgage Examination**

The tracker mortgage examination has been a top priority for KBC, and we are determined to right the wrongs experienced by our customers. We do not anticipate material changes to the number of cases for redress beyond the figures published at our first quarter announcement.

We would like to again acknowledge our errors in relation to the administration of tracker mortgages and can I, as a newly appointed CEO, add my sincerest apologies, to that of my predecessors, to those affected.

Can I also publicly commit us to taking on board the lessons learned on behalf of our customers.

### **Economic outlook and Brexit**

The Irish economy has begun 2019 on a solid footing, with domestic economic activity underpinned by strong increases in employment and an improvement in household spending power. While an emerging weakening of global economic growth will restrain Irish activity, the UK and US economies have performed better than expected of late and this has supported Irish export growth. A young, well-educated and growing population, allied to encouraging trends in the public finances, an ambitious infrastructure programme and significant foreign direct investment suggest scope for the Irish economy to remain on a healthy path in coming years. Furthermore, we must acknowledge the high level of ambiguity around how events around Brexit will finalise themselves. While the recently agreed extension to the UK's withdrawal provides some breathing space, much uncertainty remains. To this point, we have seen no material effect on KBC activity or our customers relationship with us. The nature and scale of the long-term impact of Brexit on Ireland will depend on a range of factors. We remain however watchful. Whatever happens, I believe KBC Ireland is as ready at it can be.

## **Conclusion**

In conclusion, can I reiterate our belief that KBC Bank Ireland is a positive force for choice in the Irish market. That in striving to be a successful banking business, focused on constant innovation for bringing better customer convenience, we remain fully aware of our responsibilities to Irish society, not just the sector in which we operate.

Thank you.

Peter Roebben  
Chief Executive