

K&H Group sustainability report 2008



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➔ imprint

K&H Group

head office: 1051 Budapest, Vigadó tér 1.
postal address: 1851 Budapest
telephone: (+36 1) 328 9000
fax: (+36 1) 328 9696
e-mail: bank@kh.hu

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editor:

Marko Voljč, CEO



CEO's foreword

➔ CEO's foreword

Dear Reader,

You are holding in your hands a sustainability report – the third one published by the K&H Group; we are confident that this very fact bears witness to the importance we attach to what it discusses.

In 2008, we formulated and issued in a separate volume our sustainability principles, defining for the long-term our key ideas and objectives that will impact our entire range of operations.

Our efforts aimed at our environment and society are driven by our desire to achieve business results while also helping members of society live a full life. We seek to make sure that our social and physical environment remains habitable for decades and even centuries to come, ensuring that the employees and the clientele of our companies, as well as the raw materials, energy, and other natural resources that make up our environment are in a suitable condition.

Accordingly, a company that has plans for the long term – and K&H and its shareholder the KBC Group certainly have long-term plans in Hungary – will find it in their fundamental economic interest to preserve and develop its tangible and human environment as a key precondition for its own sustainable business development.

This is demonstrated by our choice of focus areas within our CSR strategy, which are environmental protection, paediatric healthcare, sports and attractive workplaces.

This report is a summary of the results we achieved in 2008; we hope they will serve as an example and a source of motivation for other companies as well.

Marko Voljč
chief executive officer



introduction to
the K&H Group

➔ introduction to the K&H Group

K&H Bank Board of Directors

Béla Singlovics (chair)
John Hollows
Jan Vanhevel
Luc Philips

Theo Roussis

Ignace Gheysens

Marko Voljč (K&H Bank, CEO)

dr. Ágnes Bába (K&H Bank, deputy CEO)

Supervisory Board

Riet Docx (chair)

Dirk Laureyns (KBC)

Imre Csígó (K&H Bank, head of the SE credit centre)

K&H Insurance Board of Directors

Jan Vanhevel (chair)

Johan Daemen

Walter Bogaerts

Marko Voljč

K&H Bank shareholding structure

(status as of December 31, 2008)

KBC Bank N. V.: 100%

number of retail branches: 235

number of corporate branches: 20

auditors: Ernst&Young

K&H Insurance shareholding structure

(status as of December 31, 2008)

KBC Insurance N. V.: 100%

membership in key professional associations

Hungarian Banking Association

Association of Hungarian Insurance Companies

Hungarian Leasing Association

Budapest Chamber of Commerce and Industry

Netherlands-Hungarian Chamber of Commerce

American Chamber of Commerce in Hungary

Csongrád County Chamber of Commerce and Industry

Fejér County Chamber of Commerce and Industry

Somogy County Chamber of Commerce and Industry

Komárom-Esztergom County Chamber of Commerce and

Industry

International Chamber of Commerce

Hungarian Facility Management Society

Hungarian Foundation for Enterprise Promotion

Rural Credit Guarantee Foundation

Hungarian Real Estate Association

Hungarian SEPA Association

Association of International

Companies in Hungary



**responsibility to
the community**

→ environmental protection

→ economising with resources

We launched a long-term energy management and efficiency programme three years ago. Most of our related projects have been completed or started since then.

In order to lower energy usage, we have developed programmes that are not dependent on users and employees. We are adding inverter air-conditioning equipment, programmable thermostats, and state-of-the-art furnaces under our heating reconstruction programme encompassing the whole branch network. We use energy-efficient light sources and control electricity consumption ourselves. We continue to add units to our remote management network, involving centralised control, management, and intervention.

We use customised solutions to reduce energy usage where it depends on employees and draw attention to the need for fully switching off computers outside working hours.

→ energy championship

Nearly 400 companies from 18 countries participated in the 2007-2008 round of the European Energy Championship, with 9 companies signing up from Hungary. Among the competitors from Hungary, K&H was recognised as the second best. Over the course of a single year, it achieved considerable energy savings at its head

offices, where it reduced energy use by 18.7 percent compared to the same period in the year before.

→ environmentally friendly fleet

Overhauling our entire fleet, we procured 470 new Diesel cars with low carbon-dioxide emissions in 2008. While we did not reduce the number of cars, we selected environmentally friendly models to replace the existing cars so that we can significantly reduce pollutant emissions and use on average 25% less fuel.

→ green branch

In Ócsa we opened our first so-called "green" branch. The greatest advantage of the branch is that it does not use any fossil fuel and therefore does not pollute the air at all. While all K&H branches built since 2003 are Freon-free, in compliance with EU standards, the older ones require modernisation; we plan to make all of K&H a Freon-free zone by 2010.

→ new head office

The decision was made in 2008 to move our Group's central departments to a new office building. The plan is to complete the two adjacent buildings in the Millenium City Centre by the end of 2011, offering a modern working environment that meets all the latest requirements for the employees of the K&H Group. The new head office building will be developed and laid out in accordance with two of our key principles: environmental protection and attractiveness of the workplace. State-of-the-art solutions are used in the design and construction of the buildings, with maximum emphasis on environmental principles. We are creating an environment for our colleagues that is modern, dynamic, healthy and, at the same time, inspiring.

→ waste management

1,914 tons of waste was generated in 2008, of which 223 tons were recycled, 122 tons taken to the incinerator plant, and 1,669 tons to the waste removal company's disposal site.

→ greenhouse effect

In the course of its operations in 2008, the K&H Group emitted 2,519 tons of greenhouse gases (CO₂) directly and 2,226 tons indirectly. We reduced our overall greenhouse gas emissions by 3,043 tons compared to 2007.

waste and disposal quantity (tons)	2008	2007	2006
total waste	1,914	2,565	1,403
selected and recycled	223	122	72
to incinerator	22	585	398
to waste removal firm's disposal site	1,669	1,980	1,005

	annual gas consumption	co2 emission	co2 emission
from direct energy usage	gj	tons/gj	tons
from gas usage	44,840	0.0561	2,515.5
from diesel usage	42	0.0740	3.1
total			2,518.6
from indirect energy usage			
from electricity consumption	67,895	0.0002	18.1
other energy (district heating)	39,353	0.0561	2,207.7
total			2,225.8
sum total			4,744.5

➔ social role

paediatric healthcare

➔ K&H Magic Cure

Celebrating its 5th year in 2008, the K&H Magic Cure programme provided over HUF 234.5 million for medical equipment for 74 hospitals and ambulance services. In 2008, we gave HUF 69.1 million to support the work of paediatric healthcare institutions; this was HUF 22.1 million more than in 2007. K&H seeks to improve the conditions in which doctors perform their healing work – for we know that smart decisions can be made only if good opportunities and conditions are present – we hope to contribute this way toward ensuring that members of society can lead full lives, both now and in the future.

In 2008, the jury selected the winners from a total of 87 healthcare institutions (21 in Budapest and 66 in the countryside) distributing the HUF 25 million subsidy among 7 providers, thus helping the work of physicians and care staff in 6 counties throughout the country. As this was the fifth year of the programme, K&H offered a jubilee gift by doubling the value of the HUF 25 million subsidy with K&H Insurance offering to conclude 1-year instrument insurance policies for all the instruments awarded; the total value of this was HUF 25 million.

K&H
Magic Cure



➔ winning applicants in 2008

- Semmelweis University, Maternity and Gynaecology Clinic No. II, Premature Newborns Intensive Care Unit, Budapest
- Erzsébet Hospital Daycare Surgery, Hódmezővásárhely
- Hungarian National Ambulance and Emergency Services (HNAES) Izsófalva Ambulance Station
- Bács-Kiskun County Municipal Hospital, SZTE Faculty of Medicine Teaching Hospital, Kecskemét
- Mohács Town Hospital
- Pest County Pulmonary Care Institute, Neonatal and Child Pulmonary Department, Törökbálint
- Veszprém County Csolnoky Ferenc Hospital, Veszprém

Carrying on with a tradition of several years, the K&H Group purchased equipment for five child healthcare institutions using the sum earmarked for corporate Christmas gifts to clients. The institutions were:

- HNAES Balkány Ambulance Station
- Semmelweis University, Faculty of Medicine, Ophthalmology Clinic, Budapest
- HNAES Martonvásár Ambulance Station
- HNAES Sarkad Ambulance Station
- Jász-Nagykun-Szolnok County Hetényi Géza Hospital Daycare Surgery, Neonatal and Paediatric Department, Szolnok

In addition to financial help, the K&H Magic Cure programme in 2008 also included visits to 15 locations with entertainment shows for the young patients, making their time in hospital somewhat easier.

To celebrate its half decade, K&H Magic Cure gave the gift of a performance of Beauty and the Beast to nearly one thousand invited guests. Children came from all over the country, from the largest paediatric healthcare institutions to the smaller rehabilitation foundations in the countryside.

K&H's quick aid fund was used in 2008 to help the Szeged Paediatric Clinic and Healthcare Centre purchase some life-saving equipment.



→ **our colleagues help heal the children**

Our employees continue to actively participate in the K&H Magic Cure programme, with both cash contributions and active involvement. In 2008, staff donated HUF 420,000 (HUF 120,000 more than the year before) for charitable purposes to match employer contributions for the Christmas dinner of internal organisational units. The programme used these donations to help the Paediatric Department of the Selye János Hospital at Komárom acquire some essential equipment. Our employees brought unused toys and books to K&H family day, which has been a tradition for years now. Colleagues donated almost one thousand books and toys, which we distributed among 8 institutions, making it easier for young patients to endure their time in hospital. When children are in hospital, a nice, pleasing, and joyful environment is also important besides proper medical care. To this end, employees of the K&H Medicina Health Fund and their family members painted various characters from fairy tales on the walls of the corridors and waiting rooms of the Child Cardiology Centre of the Gottsegen György Cardiology Institute. Employees of K&H Fund Management helped clean up the garden of the Szent István and Szent László Merged Hospital.

→ **our clients also help little patients recover**

We continued in 2008 with our card programme, whereby for almost a whole year we earmarked 1 Forint out of our commission on each HUF 1,000 purchase with a K&H Mastercard to serve the healthcare of children. We accumulated nearly HUF 12.5 million with which we provided financial assistance to three institutions: the Paediatric Department of the Szent István and Szent László Hospital of Budapest, the Madarász utca unit of the Heim Pál Children's Hospital of Budapest, and the Kaposi Mór Training Hospital of Kaposvár, to help purchase their choice of equipment. This sum was HUF 3.6 million higher than in 2007. Issuing its K&H fix plusz Magic Cure health investment fund, the K&H Fund Manager committed to donate HUF 10 on each subscription and HUF 25 on EUR-denominated investment units to the K&H Magic Cure child healthcare programme, forgoing this part of its profits. The donation of HUF 3.5 million was used for purchasing equipment for the Jávorszky Ödön Hospital in Vác.

A K&H client, Podium Productions, offered 100 tickets each on two occasions in 2008 for young patients to visit a Disney On Ice performance. Gravoform, another client and also a supplier of the K&H Group, made a unique new offer to enrich the K&H Magic Cure programme. The company agreed to produce the memorial plates for the 2008 winners of K&H Magic Cure free of charge, which represented a donation of around half a million Forints to the programme in its fifth year. This sum was used for acquiring essential equipment for HNAES Ambulance Station No. XII.

→ **every little bit helps**

When the National Bank of Hungary announced that it was removing HUF 1 and 2 coins from circulation, K&H decided to collect the small change as a further source for supporting the treatment of children. The nationwide campaign started on December 1, when K&H Bank set up coin collection boxes in its retail branches and at K&H Leasing Group customer service premises. Nearly HUF 13.7 million was received, which the K&H Magic Cure programme used for a record-sum equipment donation to the Heim Pál Paediatric Hospital. We purchased sleep diagnostics equipment to allow the Hospital to modernise its sleep laboratory and set up the first accredited child sleep centre in Europe.

sports

→ **K&H Olympic runs**

To continue our existing traditions in 2008, we arranged K&H Olympic runs in five county seats (Szeged, Kaposvár, Dunaújváros, Kecskemét, Veszprém). In Budapest, we organised our K&H Olympic Marathon Relay and the K&H End-of-Summer Night Run.

→ **our colleagues also help**

To coincide with the K&H runs, we offered to pay HUF 500 to an athlete preparing for the Olympics for each kilometre our colleagues ran at the K&H events. The number of participants grew compared to previous years, with over 26,000 running in 2008, including 204 K&H employees. We were thus able to donate HUF 500,000 in kilometre money to shooter Roland Gerebics.





→ **Bank of the Hungarian Olympic Team**

In the year of the Beijing Olympics, we as gold-rated sponsor of the Hungarian Olympic Committee and holder of the title “Bank of the Hungarian Olympic Team”, gave all the support we could to help our athletes prepare for the Olympics successfully.

→ **Bank of the Hungarian Paralympic Team**

Our Bank has been supporting the preparations of Paralympians since 2006. In 2008 we announced a parasports photo competition for professional and amateur photographers to draw attention to the exceptional dedication, efforts, and successes of paraathletes. A total of 316 photographs were received.

→ **K&H card programme to support Olympians and Paralympians**

For each HUF 1000 purchase using a K&H Visa Classic card, we earmarked 1 Forint out of our own revenues.

The amount thus accumulated was offered as a donation to 2 Olympians and 1 Paralympian every six months. The sum thus raised was HUF 6 million, and the athletes used the money individually in their preparations for the Olympics. Athletes subsidised in 2008 were Péter Sidi, Krisztián Pars, Zsuzsa Krajnyák, Gábor Máté, Gabriella Varga, and Veronika Juhász.



the performing arts

→ **K&H was the “Sziget’s Banker” again**

Ever since 2005, K&H has enjoyed an uninterrupted relationship with the organisers of Sziget, one of the biggest music festivals in Europe. In 2008, Sziget took place while the Olympics were happening in Beijing. K&H commemorated this by setting up an Olympic site with gigantic screens on which Sziget audiences could watch events live. The sports terrace welcomed anyone with sporting facilities and recreational programmes, but conventional financial services were not forgotten either. Keeping up with a tradition from earlier years, we operated an on-site branch and set up ATM’s.



When supporting the performing arts, it is our objective to back events that offer dynamic and active recreation for everyone who feels young. In 2008, we supported the Balaton Sound event for the first time and were the eponymous sponsor of their Chill Out Terrace. Besides entertainment, we served visitors with our 2 ATM’s, which were in operation 24 hours a day throughout the four-day festival.

rebuilding our art collection

Over the decades, K&H Bank has accumulated a substantial stock of experts, much of which is genuine masterpieces. In consultation with art experts, we discovered that a lack of professional strategy prevents this from being a true collection. As a result, we decided to sell off existing artworks and start to build a new collection that matches the image and values of K&H, all financed from the receipts of the sale. This means we are not withdrawing this sum from Hungarian culture, instead, we reinvest it all into Hungarian art. To support contemporary art, we have developed a creative scholarship programme for young artists, involving ongoing support to worthy artists. At the end of the scholarship period, we add one or more of their works to the K&H collection.

youth education

In 2008, K&H contributed, via various foundations, a total of HUF 1,920,000 to supporting 20 educational institutions – this sum includes both direct subsidies and indirect ones channelled via foundations.



responsibility to employees

→ in-house role

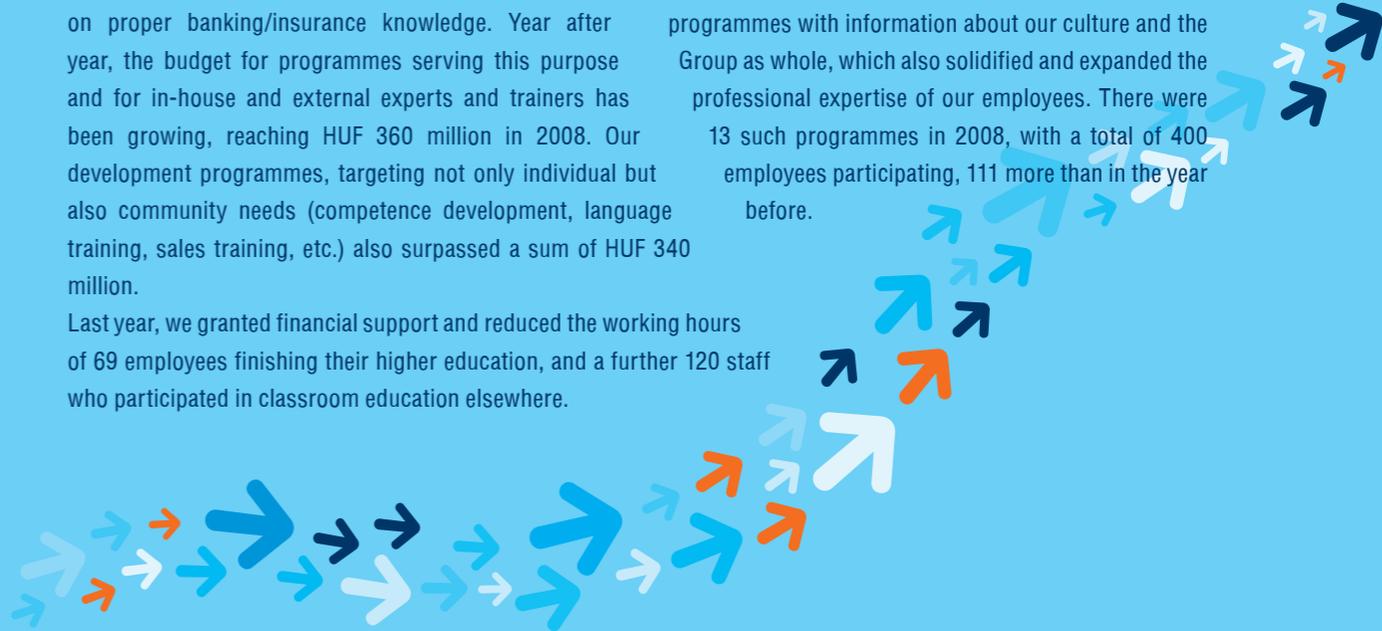
→ development – knowledge management

In 2008, we delivered 36,488 workdays of professional, skills, and management training Group-wide. This is 5,406 days more than in the preceding year. The total actual cost of these courses, most of which provided professional knowledge or skills enhancement, was in excess of HUF 680 million, HUF 64 million higher than in 2007. The focus was on the role of advisors relying on proper banking/insurance knowledge. Year after year, the budget for programmes serving this purpose and for in-house and external experts and trainers has been growing, reaching HUF 360 million in 2008. Our development programmes, targeting not only individual but also community needs (competence development, language training, sales training, etc.) also surpassed a sum of HUF 340 million.

Last year, we granted financial support and reduced the working hours of 69 employees finishing their higher education, and a further 120 staff who participated in classroom education elsewhere.

→ our training programmes

In 2008, K&H launched internal and external training courses that included special sales training for the retail and corporate branch networks, and professional refresher courses to monitor and follow the changes on the market. In 2008, the average training duration per K&H employee was 9 days, 1.4 days more than in 2007. To facilitate the integration of new staff, we organised orientation programmes with information about our culture and the Group as whole, which also solidified and expanded the professional expertise of our employees. There were 13 such programmes in 2008, with a total of 400 employees participating, 111 more than in the year before.



→ **career planning and development**

Our career development programmes offered employees a variety of options in 2008 too. They serve as a tool for ensuring that our talented and competent colleagues fill key positions.

- 10 employees have successfully completed our first K&H young talent programme. In the second programme, 11 members of our staff will participate.
- The second round of the K&H network manager programme was concluded successfully, with 11 participants completing it. The third round of the programme started with the addition of the corporate network and a total of 17 participants, in October 2008.
- 4 young people were admitted to our career starter programme in 2008.
- In 2008 we employed 68 interns in total.

→ **a programme for mothers**

Launched in 2007, our "Welcome back" programme continued in 2008. We surpassed the stated objectives by far, as the rate of successful returns reached 77% in 2008, representing a huge increase over the 2007 success rate of 60%.

This means that 100 out of 130 mothers rejoined us after maternity leave. The main reasons for employment termination included geographical obstacles and low educational qualifications.

→ **giving blood**

Organised by the National Blood Service, our employees gave blood in the Vigadó Square head office building 4 times, whereas the Pozsonyi Road building housed two blood donor sessions organised by the Red Cross. In 2008, our employees gave a total of 126 units of blood, which meant over fifty litres of blood for life-saving operations.



→ **low-emission screens**

By 2008, our Bank had replaced all desktop computer monitors with LCD screens. With new computer purchases, we made sure the screens were eye-friendly; around 1000 of these were bought. K&H Insurance has also started to replace its monitors and plans to complete the process in 2009.

→ **benefits**

Benefits to employees fall into two categories:

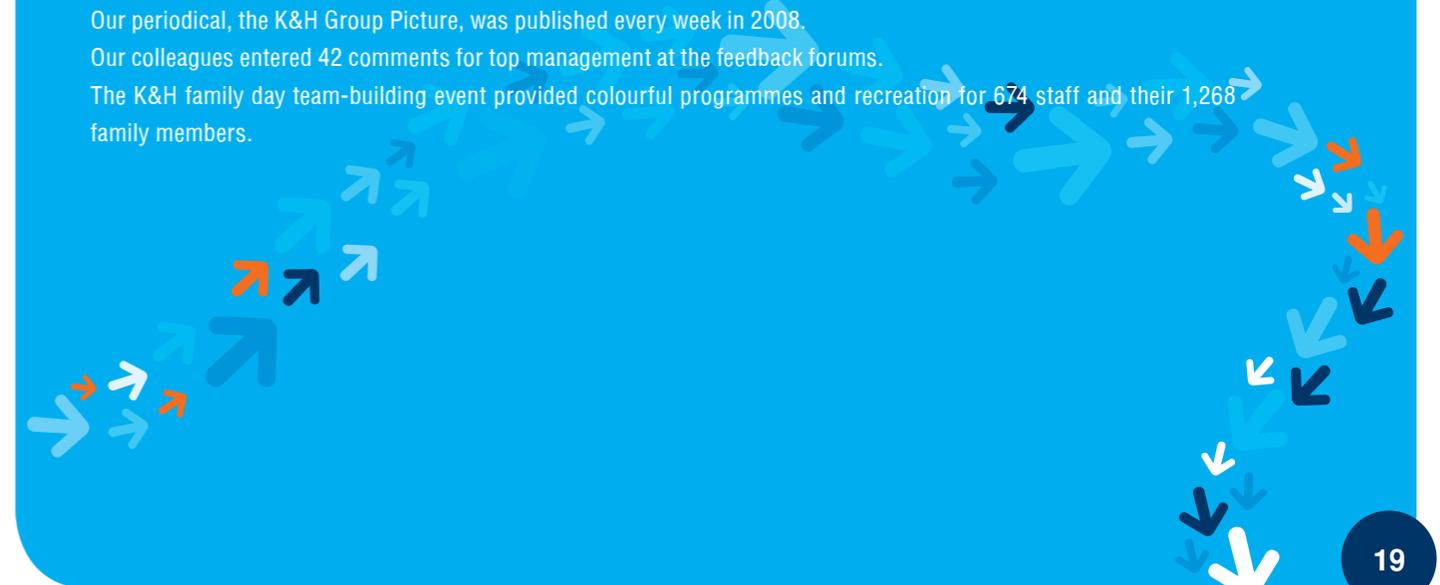
- General benefits,
- Optional cafeteria-style benefits, with a budget of nearly HUF 1.7 billion in 2008, HUF 100 million more than in 2007.

→ **internal communication**

Our periodical, the K&H Group Picture, was published every week in 2008.

Our colleagues entered 42 comments for top management at the feedback forums.

The K&H family day team-building event provided colourful programmes and recreation for 674 staff and their 1,268 family members.



→ **trade union**

1,600 K&H employees (40% of full time staff) are members of the K&H Trade Union, which represents employee interests and also has an additional 1,100 retired members. Membership in the Independent Trade Union of Financial Service Workers represents 0.49%.

The K&H Trade Union continued to reinforce its position within the Group in 2008. It achieved a majority at the Works Council elections within KBC GSH, which it then proceeded to repeat at the Works Council elections of the K&H Services Centre.

The K&H Group Works Council has 13 members and operates a Safety-at-Work Committee, with 3 members working for it in 2008. Both bodies convened twice during the year, as is required by law.

The K&H Works Council delegated 2 people to the KBC European Works Council, in whose work we participated actively.

An increasing number of employees turned to the K&H Trade Union for help and advice during the year; overall, more than 1000 people received welfare payments in 2008.

K&H sports day is organised once a year by Trade Union officials on a volunteer basis, with substantial financial support to the event from K&H. The 20th event was attended by 1,500 employees in 2008.

→ **safety at work, bank security**

In 2008, a total of 3,773 persons attended fire and work safety training. 349 new colleagues (161 more than in 2007) were given orientation training regarding bank security, and the same was the subject of on-site courses for 657 employees throughout the country, 156 more than in 2007.



→ **health protection**

In 2008, the Budapest medical teams of K&H Bank conducted 3,897 check-ups and specialist medical care for employees. Our workplace medical service conducted workplace health checks, employee care (especially cardiovascular, respiratory and digestive problems), prescriptions and emergency care in 2,285 cases altogether. Related specialist medical care (ophthamology, gynaecology, dermatology, ENT, rheumatology) registered 1,612 cases of treatment. Attendance at workplace health check-ups in the countryside is improving, with 75% participating compared to 65 % last year. In 2008 we organised two free health check-ups, with nearly 500 employees attending.

accidents at work

2008	
number of accidents	7
sick leave due to accidents (days)	461

staff composition statistics

the Group's organisational hierarchy, in terms of gender, working hours, and age (figures as of December 31, 2008)	
top management level / number of women	133 / 44
lower and middle management level / number of women	2560 / 1678
subordinate level / number of women	2156 / 1859
indefinite contract	4831
fixed-term contract	18
active	4400
inactive	449
male	1269
female	3580
full-time employed (100%)	4756
part-time employed 80%-100%	6
time employed < 80%	87
total active headcount	4400



**responsibility
to clients**

➔ service development

Sustainability principles are reflected in the products and services of K&H.

➔ talking ATM

In 2008, K&H continued to adapt its cash dispensing machines for its blind and partially sighted clients. This function was available at 367 ATM's in 2008, 60 more than in the year before.

➔ K&H e-bank

By the end of the year, nearly 200,000 retail clients used our popular, easy-to-use e-banking service, which means that we have doubled the number of users since 2007. We provide almost all our banking services through this platform, saving our clients from having to unnecessarily queue in the branch.

➔ K&H e-zone

Since the end of the year, our branches have started to offer clients a novel solution replacing yellow postal order cheques. Our user-friendly e-zone terminal makes bank transactions easier at 18 locations, allowing clients who use it to save a lot of time.

➔ disabled access

We continued to convert our branches to provide disabled access in 2008; 70% of all customer service premises are now accessible for the disabled.



→ products, services

→ K&H eco fund

The speciality of the K&H eco fund lies in the fact that it aims to deliver outstanding share market performance while at the same time it combines traditional financial/economic valuations with social, ethical, and environmental criteria. The K&H fix plusz eco 3 closed-end securities investment fund offers a share in the profits of companies that are active in developing alternative energy sources, producing technologies to reduce carbon-dioxide emissions, and profit from investments in water management. More than HUF 1.5 billion capital has been subscribed.

→ K&H Magic Cure health fund (HUF- as well as EUR-denominated)

The closed-end investment units in the K&H Magic Cure health fund offer a share in the growth in the share price of the largest pharmaceutical firms and companies manufacturing medical aid. The basket of the fund contains shares of firms that have passed SRI (socially responsible investment) screening, with capital and yield protection, to ensure that their operations are fully in line with ethical criteria. They must not be involved in certain industries such as gaming, the military industry, arms and tobacco manufacturing, and must operate with due respect for human and employee rights. In the course of the selling of the Magic Cure fund, K&H Asset Management offered a portion of the proceeds as aid to the K&H Magic Cure programme.

Nearly HUF 1.4 billion and over EUR 7 million capital has been subscribed.



→ K&H socially responsible fund

Underlying the K&H socially responsible closed-end investment fund are companies that meet the strict selection criteria of social responsibility. Besides their social awareness, these companies are outstanding and solid firms that could be good investment targets individually too. Almost HUF 1 billion capital was subscribed.

→ K&H TeleCenter

We successfully implemented full integration in 2008, comprising the merger of our retail and SME customer service departments and the bankcard authorisation unit. The implementation of the CRM system began in March 2008, first in the K&H TeleCenter and in eight retail branches, as part of a pilot project. Using this method, client needs can be identified and understood more effectively and more quickly, and thus such needs can be satisfied at a higher level of quality.

In 2008, we introduced a single customer service number for all K&H Group members.

Depending on the landline or mobile telephone network from which the call is made, clients have a choice of the following numbers, allowing them to achieve the lowest intra-network rates: (06 1) 335 3355 / (06 20) 335 3355 / (06 30) 335 3355 / (06 70) 335 3355



➔ complaint handling

The total number of complaints processed fell by 25% compared to 2007; it was primarily in Retail that fewer complaints were received.

complaint volumes managed by the complaint handling group, by business line, and by category		
business	category	2008
retail	retail total	19,543
	retail accounts	4,451
	retail savings and investments	539
	retail cards	11,529
	retail loans	1,056
	retail electronic services	1,682
	other retail services	286
SME	SME total	3,263
	SME accounts	801
	SME savings and investments	18
	SME cards	162
	SME loans	43
	SME electronic services	680
	other SME services	101
corporate	corporate total	1,501
	corporate accounts	531
	corporate savings and investments	33
	corporate cards	210
	corporate loans	10
	corporate electronic services	588
	other corporate services	129
other	other / uncategorised	0
total processed		24,307



responsibility to suppliers



We contact our supplier partners every year (the key strategic partners every six months) in order to ask them to complete a pre-scoring sheet, on the basis of which we assign them to professional categories and calculate the pre-scoring indicators.

→ Pre-scoring criteria

- company form
- references
- economic stability
- quality assurance
- liability insurance
- acceptance of K&H Group conditions

The quality of the products and the work of our suppliers and service providers has a major impact on the performance of the K&H Group and its reputation among clients.

The objective of the K&H Group Procurement Policy is to make sure that the products, state-of-the-art technologies, and services required for the smooth execution of banking and other processes are available at the right place and the right time, in quantities and quality matching the requirements, at the best price achievable on the market and with minimum exposure to risk.

It is the definite aim of the K&H Group to work only with such business partners as contribute a positive attitude of cooperation, high-quality work, and a strict observation of deadlines, and who can thus help the K&H Group achieve its objectives.

One pre-scoring condition is for the supplier partner to disassemble and remove, free of charge, any environmentally polluting parts from decommissioned equipment that had been delivered by it or its subcontractors under a contract, and to arrange at its own cost their disposal in an environmentally friendly way.

In 2008, we had a total of 5,694 active suppliers, 1,018 more than a year before. We made our selection with utmost attention to the above principles and laying great emphasis on scoring procedures.



responsibility to shareholders, investors

➔ financials

K&H Bank

as of December 31, 2008:

shareholders' equity (IFRS consolidated, not audited): **HUF 198 billion**
total assets (IFRS consolidated, not audited): **HUF 3182 billion**
operating P&L (IFRS consolidated, not audited): **HUF 61 billion**
profits before taxes (IFRS consolidated, not audited): **HUF 45.9 billion**
profits after taxes (IFRS consolidated, not audited): **HUF 30 billion**

K&H Insurance

as of December 31, 2008

shareholders' equity (IFRS consolidated, not audited): **HUF 8.9 billion**
total assets (IFRS consolidated, not audited): **HUF 93.3 billion**
technical P&L (IFRS consolidated, not audited): **HUF 3.4 billion**
profits before taxes (IFRS consolidated, not audited): **HUF 4.1 billion**
profits after taxes (IFRS consolidated, not audited): **HUF 3.3 billion**



**awards,
recognition**

→ awards, recognition

Bank of the Year in Hungary

Reputable international magazine The Banker, which looks back on a history of over 80 years, awarded K&H the title “Bank of the Year in Hungary” in 2008, in appreciation of the performance, results, and innovative solutions of K&H.



Most innovative bank of the year

K&H was given the first prize in the “Most innovative bank of the year” category in a competition announced by MasterCard. K&H earned the category prize with a product, the K&H inflation plus deposit and a new service, the K&H e-zone. The K&H e-zone terminal is a new, client-friendly but also educational solution to replace the yellow postal cheques and to help with banking transactions. The K&H inflation plus deposit is a unique product that takes inflation as a basis for calculating the interest rate. Besides this first prize, K&H was awarded two third prizes as well, in the categories “Retail savings product of the year” and “Retail loan product of the year”.



CSR Best Practice 2007

The Hungarian Public Relations Association once more compiled outstanding of corporate responsibility in this country in their publication CSR Best Practice 2007. The Association declared that the K&H Magic Cure initiative can serve as a practical example for other companies formulating their own CSR programmes.

Energy Championship

K&H achieved second place at the 2008 European Energy Championship. Over the course of a single year, we reduced energy consumption by 18.7 percent at our head office.



Effie

A jury of the marketing communication profession once more acknowledged the advertising activities of K&H in 2008. We added A Bronze Effie to our existing awards, earned with the “Little interest, little dance” campaign.



→ GRI Content Index

FI – In Sustainability – Guiding Principles

FJ – In Sustainability Report 2008

GRI index	Brief description	
1.	Strategy and Analysis	
1.1	Statement about the relevance of sustainability to the organization and its strategy	FJ 4, FI 6
1.2	Description of key impacts, risks, and opportunities	FI 6
2.	Organisational Profile	
2.1	Name of the organisation	FJ 6, FI 8
2.2	Primary brands, products, and/or services	FJ 24, FI 28
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	FJ 6
2.4	Location of organisation's headquarters	FI 8
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	FI 8
2.6	Nature of ownership and legal form	FJ 6
2.8	Scale of the reporting organization: Number of employees; Net sales; Total capitalisation broken down in terms of debt and equity; Quantity of products or services provided	FJ 30
2.9	Awards received in the reporting period	FJ 32
2.10	Significant changes during the reporting period regarding size, structure, or ownership	FJ 6
3.	Report Parameters	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	FJ 4
3.2	Date of most recent previous report (if any)	FJ 4
3.3	Reporting cycle (annual, biennial, etc.)	FJ 4
3.4	Contact point for questions regarding the report or its contents	FJ 2, FI 31
3.5	Process for defining report content	FJ 4

3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	FJ 6
3.12	GRI content index	FJ 33
4.	Governance, Commitments, and Engagement	
4.1	Governance structure of the organization	FJ 6
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	FJ 17
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	FI 11
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	FI 10
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	FI 12
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	FI 10
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	FI 13
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	FJ 6, FI 27
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	FJ 6, FI 27
4.14	List of stakeholder groups engaged by the organization	FI 8
4.15	Basis for identification and selection of stakeholders with whom to engage	FI 8
4.16	Approaches to stakeholder engagement	FI 8
4.17	Key topics and concerns that have been raised through stakeholder engagement	FI 8
5.	Management Approach and Performance Indicators	
EC	Economic Performance Indicators	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	FJ 10, 30
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	FJ 23, FI 22
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	FJ 23
EN	Environment Performance Indicators	
EN3	Direct energy consumption by primary energy source	FJ 8
EN5	Energy saved due to conservation and efficiency improvements	FJ 8

EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	FJ 8
EN16	Total direct and indirect greenhouse gas emissions by weight	FJ 8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	FJ 8
EN22	Total weight of waste by type and disposal method	FJ 8, FI 17
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	FJ 8, FI 17
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	FJ 8, FI 17
LA	Labour Practices & Decent Work	
LA1	Total workforce by employment type, employment contract, and region	FJ 21
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	FJ 19, FI 21
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	FJ 20, FI 21
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	FJ 21
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	FJ 17, FI 18
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	FJ 11, 17 FI 20
LA12	Percentage of employees receiving regular performance and career development reviews	FJ 11, 17 FI 20
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	FJ 21
HR	Human Rights	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	FJ 28
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Observing the Constitution of the Republic of Hungary
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Observing the Constitution of the Republic of Hungary
SO	Society	
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	FJ 10
SO4	Actions taken in response to incidents of corruption	FI 11
PR	Product Responsibility	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	FJ 25, 26 FI 29

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