

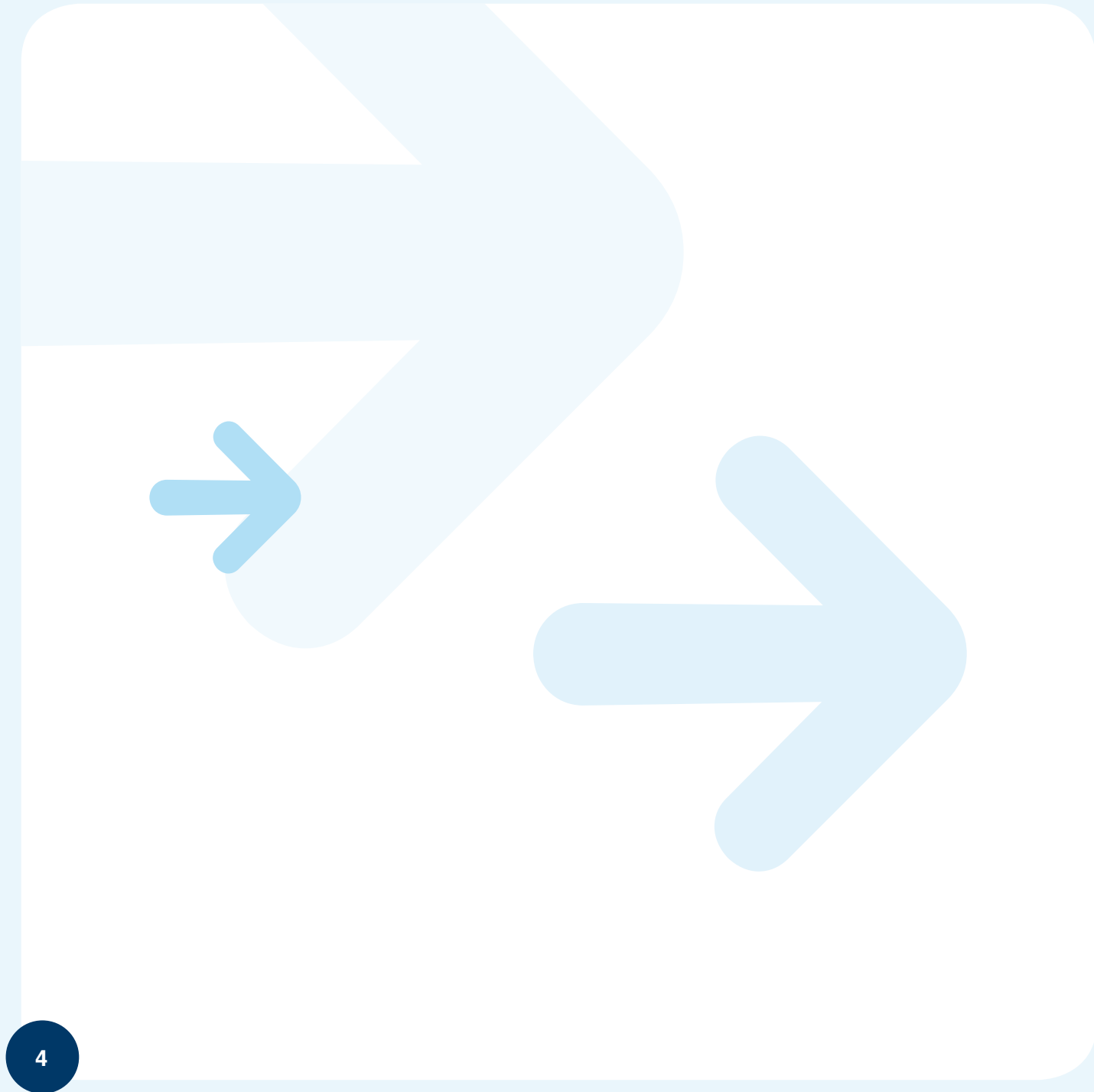
K&H Group sustainability – guiding principles



K&H Group
sustainability – guiding principles

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introduction

→ introduction

This publication aims to provide an overview of the key principles and objectives of K&H Group concerning corporate responsibility, describing the efforts we make in various fields in order to ensure that those around us are given a chance to live a full life.

K&H Group has lost nothing of its momentum in recent years, and at the same time we have behaved responsibly towards our environment. We are active in several fields, but special emphasis is placed on health care, environmental protection, sports and the creation of an attractive workplace.

K&H Group has been committed to sustainable development for years, thus our efforts in this regard extend well beyond our scope of business activity. We always bear in mind that smart decisions must be forward-looking; in other words, both the present and the future generations must be given a chance to live a full life.

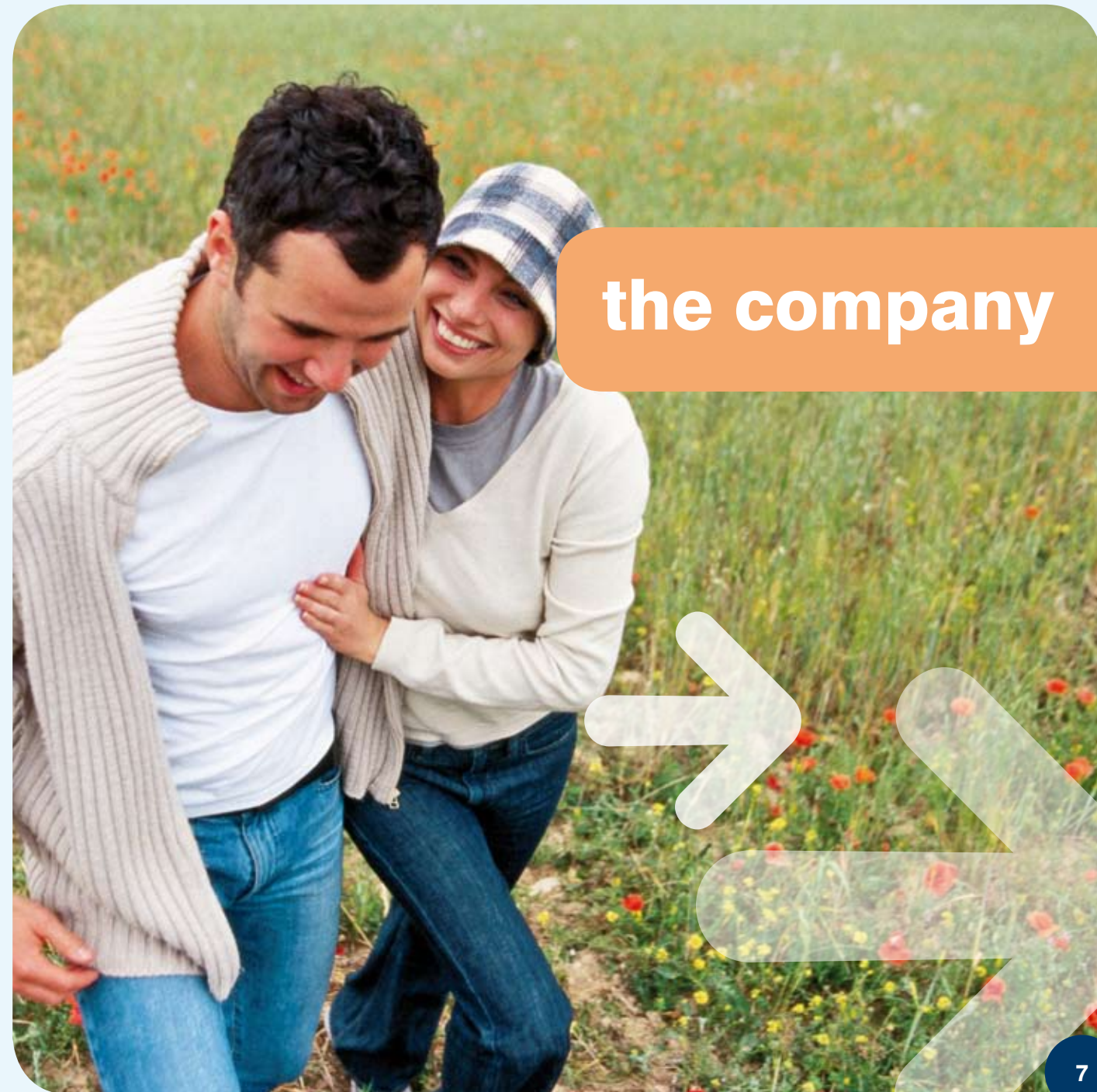
But what do we mean by sustainable development? This concept, which is happily discussed more and more often nowadays, was initially defined in the 1987 report *Our Shared Future* of the **UN World Committee on the environment and Development**:

‘sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.’

K&H is one of Hungary's largest financial institutions and a market leader in both the corporate and retail segments. Naturally our business can only be successful if we preserve our environment as much as possible, because our operation will not be sustainable if society or the environment is not in a satisfactory condition. Therefore our principal objective is to enable members of the society to live a full life. This publication has been prepared to promote and illustrate this vital thought.



the company



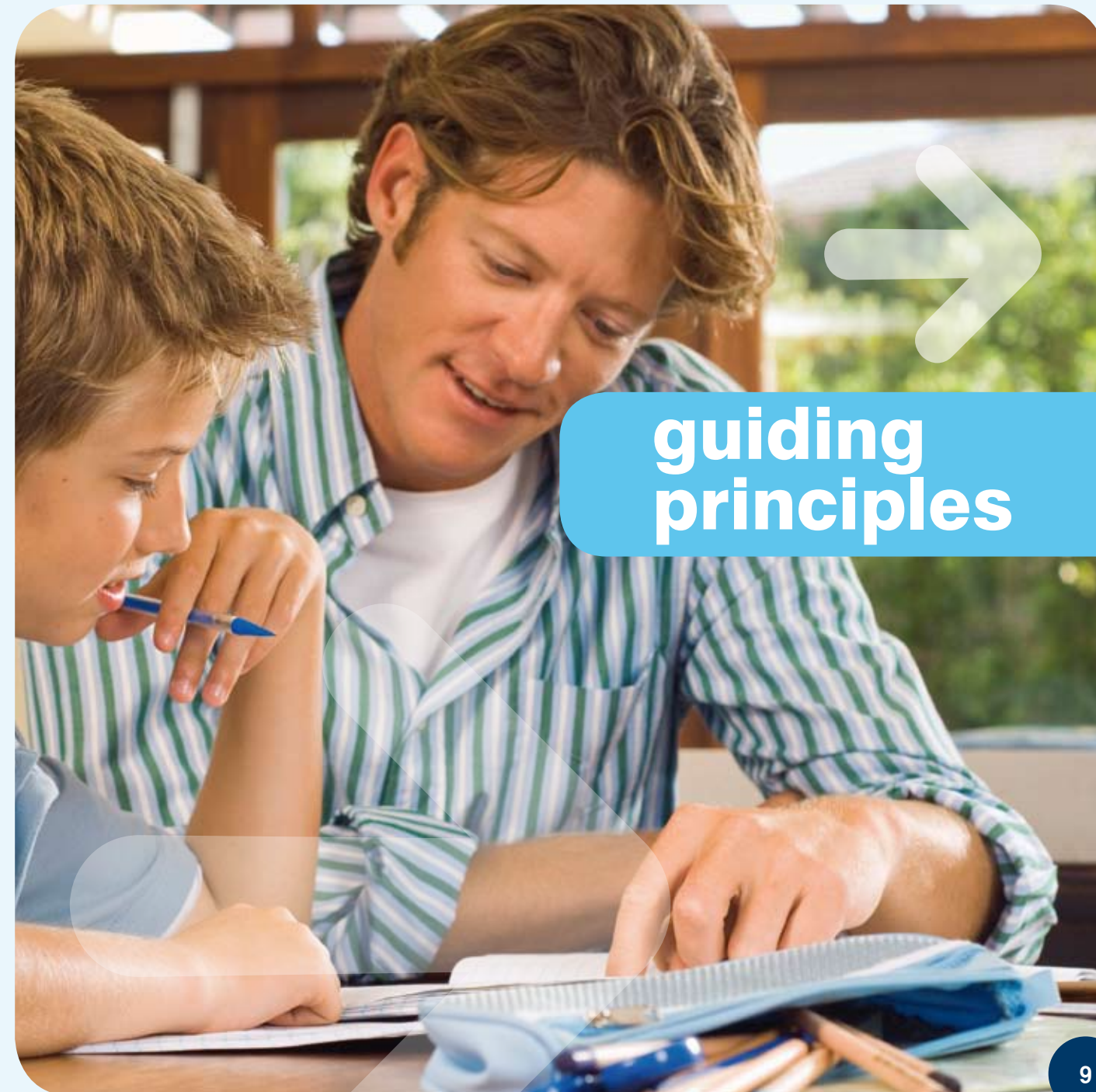
➔ shareholders

In accordance with its role in the market, KBC Group takes responsibility for the society and its environment. In addition to being involved in variegated external causes, it has drawn up and applied internal guidelines, which have ensured that environment- and society-friendly operation has become part of its corporate culture. KBC expects the same attitude not only from its employees but from all of its companies all over the world.

K&H Group has also adopted the corporate responsibility policy of its parent bank. Accordingly it strives to help members of the society to live a full life under all circumstances.

➔ the involvement of stakeholders and the importance of dialogue

As part of our continuous dialogue with clients we consulted them to identify the fields most in need of our help and made our choices based on their opinions – examples include child health care institutions and sports. However, we cannot afford to sit back and relax after having made our choices; we must monitor the changes occurring around us, discuss suggestions made by our employees, clients and other stakeholders, and, wherever possible, incorporate these into our corporate responsibility strategy. This is the only way to ensure that everybody around us is given a chance to live a full life, now as well as in the future.



guiding principles

→ sustainability – guiding principles

K&H Group takes into account the international guidelines for sustainable development and integrates them into the company's operation.

corporate priority

We consider environmentally aware management a key to sustainable development. We develop our corporate policy and practical tasks taking environmental concerns into account.

good intentions

We assess periodically how we can improve our immediate area of operation, with special regard to regular technical upgrades, scientific achievements and the needs of society.

employee training

We consider our responsibilities for employees equally important. We provide regular language and professional training, and organise career-training and mentoring programmes for them.

environmental impact

Prior to any expansion or changes required by our operation, we look at the potential impact on the environment to make sure that we place a minimal burden on our living space.

products and services

When developing various products and services or designing specific measures, we consider economic, social and environmental impacts and their interactions as a whole, in line with the principle of sustainable development.

resource-saving

we make every effort in the course of developing, procuring and using machinery and equipment required for our services to ensure that energy and materials are used efficiently and any environmental damage and the quantity of waste are reduced to a minimum.



→ code of conduct

Each company in K&H Group has its own Code of Conduct setting out the general norms of behaviour and uniform standards applicable to all employees and organisational units. They have also adopted the Code of Conduct of KBC Group (as majority shareholder) as well as that of the Association of Hungarian Insurers.

The Code sets out the following standards applicable to all K&H employees:

- delivering faultless work,
- observing the law under all circumstances,
- professional integrity, honesty and fair conduct,
- loyalty to the Company and conduct in line with the interests of the Group,
- creating a good balance between the interests of the Group, the clientele and employees,
- conduct based on responsibility and discretion,
- solidarity with colleagues.



➔ integrity



K&H's Code of Integrity is based on standard guiding principles based on social responsibility, and it forms a coherent and consistent system, satisfying all principles and compliance-related provisions of both the Hungarian and the Belgian financial supervisory authorities.

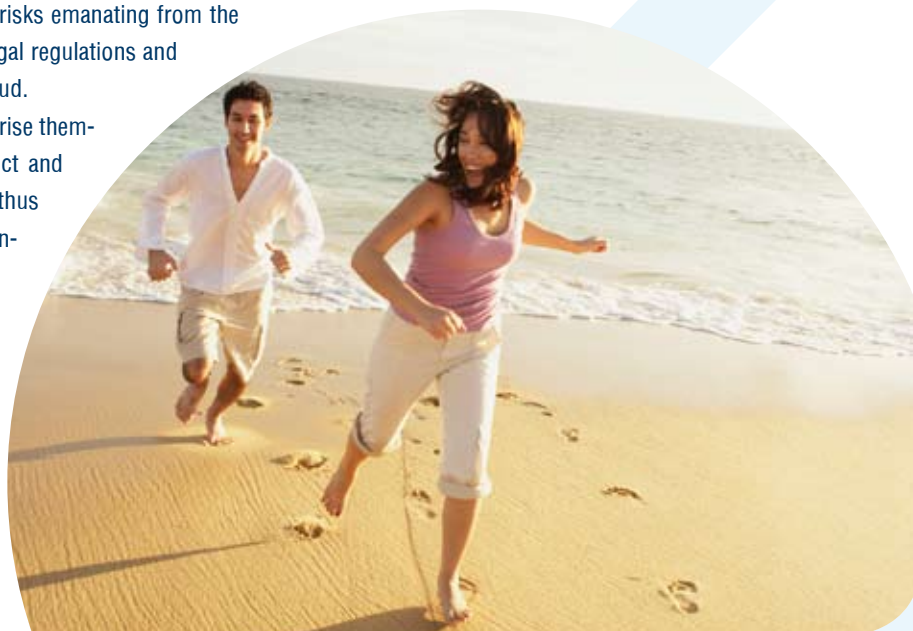
Each company in the K&H Group operates an independent compliance function to supervise and facilitate proper operation in line with integrity laws and regulations.

The compliance function organises and supervises activities involving complex security issues. It is responsible for the efficient management of all risks emanating from the violation of internal rules and legal regulations and for the prevention of internal fraud.

All K&H employees must familiarise themselves with the Code of Conduct and the Gift and Hospitality Code, thus all of them are aware of the principles outlined therein.

Major integrity issues:

- prevention of money laundering and terrorism
- prevention of internal fraud
- prevention of insider trading and market manipulation
- Chinese Wall, i.e., the separation of financial and investment services
- confidentiality
- data protection
- conflict of interest
- ethics



➔ fighting money laundering

➔ internal whistle-blowing

All relevant companies in K&H Group have a policy for the prevention of money laundering that corresponds to the standards established by the international action group, FATF (Financial Action Task Force on Money Laundering).

We have had anti-money laundering procedures in place in our branches for years. All suspicious activities and transactions are reported to the relevant authorities, and we maintain and store all data needed for client identification, account information and correspondence related to accounts as stipulated by law. We act prudently and immediately terminate our relationship with any clients suspected of money laundering and thus representing a major reputation risk for the Bank.

K&H is committed to operating with integrity, to having a transparent organisational structure, and to ensuring that its employees can express their valid concerns and suspicions without any fear. We encourage our employees to report any and all suspected cases of irregular conduct. To this end, all relevant companies in K&H Group have adopted a regulation concerning the management of internal whistle-blowing.





strategy

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→ corporate responsibility strategy

In 2007 we outlined the sustainable development strategy of K&H Group, including the various aspects of corporate citizenship in line with our corporate values.

- K&H Group strives to make smart decisions while responsibly ensuring that the societies of the present and the future are both granted the chance to live a full life. The Group endeavours to achieve this in everything it does, and it is taken into account in any business or social decisions made by us.
- K&H is aware that social responsibility extends well beyond supporting good causes, and it acts accordingly. This approach permeates any and aspects of our activities, from customer service to looking after our employees to operating our buildings.
- K&H pays special attention to four areas: health care, sports, environmental protection and the creation of an attractive workplace.



strategy

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achievements

→ protection of the environment-strategy

impact on the immediate and the wider environment

K&H Group does more than just support the principle of sustainable development in theory; for years we have made every effort to prevent and compensate for adverse changes occurring in the environment.

→ a selective waste collection system is in place in all K&H head office buildings, and we aim to introduce this form of waste management across the entire branch network.

→ withdrawn credit cards are collected and shipped to the Rákospalota Incinerator where they are destroyed in an environmentally friendly way.

→ we endeavour to minimise environmental problems and damage related to transport and shipping. We reduce environmental pollution caused by travel and shipping to the minimum with the help of logistics planning and modern technology.

→ our new company car policy aims to replace our existing fleet with more environmentally friendly diesel cars.



→ in the coming years we intend to replace all systems using fluorinated refrigerants at all K&H premises with alternative solutions containing environmentally friendly refrigerants.



achievements

➔ health & safety

easy-on-the-eye monitors

Having replaced all desktop computers, we proceeded to replace all CRT monitors with LCD monitors, which emit much less radiation and offer much higher definition, thus they do not strain the eyes.

work safety, bank security

Our employees regularly participate in fire and work safety training. Because of the nature of our business operations, we also have a bank security training programme in place.

healthcare

K&H offers medical services at the workplace in its head office buildings and regional centres. All employees are reminded by email to visit the surgery at the frequency prescribed by law.

working conditions

We take care to ensure that offices are the right size, space is used optimally, natural light sources are employed and easy-on-the-eye monitors are purchased. We create workplaces in line with the principles of ergonomics and 'green office', which principally focus on saving energy in day-to-day office work and the use of environmentally friendly materials and substances.



➔ society

achievements in society

As a leading Hungarian financial institution, not only do we help our clients make smart decisions by giving advice and quality service but our environmental-ly-conscious conduct and engagement in the community enhance the opportunities for those around us to lead a fuller life.

We concentrate our sponsorship resources to the following areas:

- internal commitment
- child healthcare
- education
- performing arts
- sports
- foundations
- innovation

Through our cafeteria system we assist colleagues with a variety of benefits befitting their social situation, and support those in need with preferential loans. We at K&H Group encourage people to improve their professional skills through subsidised training and assist them in achieving their career goals.



internal commitment

Outstanding performance and continuous professional development require appropriate working conditions. We feel particularly responsible for our employees, thus we regularly assess how they feel at work and how happy they are with the benefits and career opportunities we offer. In every two years we carry out a employee satisfaction survey, which extends to all employees of K&H Group. The results of the survey are used for a number of purposes, including the creation and enhancement of our motivation programmes.

training programmes

We offer a wide range of schemes and programmes to our employees so that their development extends beyond the competences required for their work: we offer a wide range of professional, personal development and language training programmes.

Employees completing their higher education receive financial support and have to work fewer hours.

With the expansion of our branch network, we place high priority on the integration and adjustment of new colleagues from professional and social aspects alike.

career planning and development

Career planning is provided through typical career paths created in accordance with the organisational structure of K&H Group and the competence requirements of the various jobs.

Internal selection and promotion are also supported by our career development schemes:

→ our three-year 'Young Talent' programme is launched in every two years. The 12-13 participants benefit from personal and group development. The purpose of the programme is to train them to become middle managers.

→ our two-year branch manager replacement programme is launched in every one or two years. The 12-15 participants are trained mainly for branches yet to be opened. The programme takes two years.

→ our 'Young Employee' programme is for young and talented graduates who familiarise themselves with all K&H Group areas in nine months, then occupy junior positions that best suit them. The evaluation questionnaires, feedback from the participants and the achieved results indicate that the above programmes have been useful and successful.

programme for young mothers

In 2007 we launched a new 'Welcome Back' programme for employees on maternity leave. It is important to us that they too are aware of what is happening at K&H Group, and we would also like to help them so that many of them return to K&H thereafter.

bonuses

Each year we present special awards to K&H employees achieving outstanding results and demonstrating exemplary commitment and knowledge. Evaluation is based on criteria communicated in advance.

All K&H employees regularly undergo performance evaluation and a career review. Quarterly, half-yearly and annual bonuses are granted on the basis of the evaluation according to grading.

benefits

Benefits provided to employees can be divided in two categories:

→ standard benefits provided by the Employer in addition to the flexible benefits plan
→ flexible benefits (e.g. housing, education, clothing, food, start-of-school, internet access or voluntary pension fund membership fee allowance; various insurance policies; holiday and health fund contribution; vouchers for cultural events), and employees can decide themselves what their annual limit should comprise.

internal communication

We communicate regularly and actively not only externally but also with our employees. Since they hold the key to K&H's success, it is very important that they are informed about any facts and news regarding K&H first-hand.

We place a great emphasis on two-way internal communication, for which we have created a special electronic forum. We welcome comments and constructive ideas, and use these to further improve our performance.

There are three key forums where employees can make suggestions: the 'K&H Country Team' forum, the kick-off events marking the start of each year, and the group emails created for each business line for this purpose.

The K&H Family Day, an annual team-building exercise, is more and more popular organised every year. Here a rich array of programmes awaits employees and their families, including star entertainers, a playhouse for 'little princes and princesses' and craft workshops.

trade union

Our 4,000 employees can join two trade unions. The Management is in regular contact with the trade union leaders and takes into account their comments and suggestions.

Based on the results of the Works Council elections, it is K&H Trade Union that can enter into a Collective Agreement and any other agreements concerning employees.

The Health & Safety Committee operating alongside the Works Council of K&H Group advises on health care and safety schemes at the workplace. It comprises three members, who are elected from the employees.

We also significantly contribute to the social assistance provided to employees through the foundation operated by the K&H Trade Union, in accordance with the social assistance regulation annexed to the Collective Agreement. The K&H Sports Days organised by K&H Trade Union also benefits from our financial support.



child health care

K&H is a committed sponsor of child health-care

Having polled its clients, K&H Group decided that at present health care, and especially child health care is in the greatest need of support in Hungary.

Hospitals are funded by the State, and the funding provided is often not enough to satisfy all requirements. Equipment donated by K&H helps doctors and nurses to make smart decisions in providing care.

K&H magic cure

K&H Magic Cure, a comprehensive child healthcare program, was launched in March 2004. As a major part of the program, we launched a grant scheme for paediatric hospitals and paediatric units of general hospitals, clinics and national institutions providing inpatient care and financed by the National Health Insurance Fund for the procurement of medical equipment. During the grant period institutions may apply for gross HUF 5 million each to be spent on medical equipment, based on justified need. The annual sponsorship is worth a total of HUF 25 million, and beneficiaries are selected by an independent professional panel of 7.

K&H
gyógyvarázs



The child health care programme of K&H Group aims to assist doctors and nurses of paediatric institutions in their work so that sick children are cured and then grow into healthy adults with the chance to live a full life. In addition to these funds, as part of the K&H Magic Cure program we hire a touring children's show to bring entertainment to young patients under treatment in hospitals, making their stay a little more bearable. As part of our comprehensive healthcare program, institutions in dire need may also receive emergency assistance. The upper limit of such aid is HUF 5 million, awarded by an ad-hoc committee on a case-by-case basis.

K&H employees also help

Our staff also take an active role in the K&H Magic Cure programme: at the traditional K&H Family Day employees and their family members prepare small gift items for sick children.

They also make voluntary contributions to the programme; some have actually offered their well-deserved bonus for a health care institution.

Many employees of K&H Group have donated their employer's contribution to the annual Christmas dinner for charitable purposes.

K&H clients also help 'little princes and princesses' get better

K&H Group launches its **K&H Magic Cure Card Programme** each year. 1 out of every 1,000 forints of each transaction made with an embossed K&H MasterCard is donated to the programme. The donation is made by K&H itself so it does not cost anything to cardholders. The purpose of the K&H Magic Cure programme is to involve the clients of the Group actively in the support provided by K&H to child health care so that the work of the selected institutes is also funded through them.

Furthermore the funds intended for gifts for clients is donated to a child health care institution every year, and clients also make voluntary donations to support the K&H Magic Cure programme.





education

Our principal aim in this field is to educate as wide an audience as possible about finances to make navigation in day-to-day matters and to facilitate smart decisions.

It is important to us that young people acquire a basic financial knowledge as early as possible, so that they can make deliberate decisions about their finances already early on.

We have launched the K&H Trampoline accounts so that all age groups from infants to schoolchildren to graduate students can take advantage of our services and learn to make smart decisions about their money by adulthood.

performing arts

In addition to sponsoring major summer festivals such as Sziget, we have also provided financial support for years for outstanding performing art productions, for example by buying large numbers of tickets to performances staged in theatres and cultural centres.

sports

Since dedication, determination and outstanding performance are held in high esteem at K&H, it was only natural for us to become a major sponsor of sports for the long term.

We believe that in sports, whether professional or amateur, it takes a series of smart decisions assisted by good advice to achieve success and to live a full life, just like in finances.

Thus since 2004 we have organised several national sports events each year to promote sports and to increase awareness of its positive effects on health.

These include: **K&H National Olympic Run, K&H End-of-Summer Night Run and K&H Olympic Marathon Relay**

bank of the Hungarian Olympic Team

K&H has provided financial support for the successful preparation of the Hungarian Olympic Team under a long-term sponsorship agreement (in place since 2002).

K&H is the Gold Principal Sponsor of the Hungarian Olympic Committee and the holder of the honourable title 'Bank of the Hungarian Olympic Team'.

By sponsoring the Hungarian participants of the world's most prestigious sports event we hope to raise awareness of the importance of exercise and sports.



bank of the Hungarian Paralympic Team

In 2006 the Bank also signed a cooperation agreement with the Hungarian Paralympic Committee and became a Diamond Sponsor of the Hungarian Paralympic Team as well as the Bank of the Hungarian Paralympic Team.

The high quality services of K&H provide a steady and stable background for our Olympic and Paralympic athletes preparing for the games. A promoter of smart decisions and a committed supporter of Hungarian sports, K&H has been their dependable partner for years.

K&H card programme in support of olympic and paralympic athletes

As a committed and regular sponsor of the Olympic and Paralympic Teams, K&H Bank launched a new funding scheme in autumn 2006. 1 out of every 1,000 forints of each purchase made with an embossed K&H Visa Classic deposit card is allocated from the funds of K&H Group to support and preparation and participation of athletes selected by the Hungarian Olympic Committee and the Hungarian Paralympic Committee.



K&H foundations

K&H Group operates a number of foundations diverse in nature, which facilitate the development of the selected fields in accordance with our objectives.

K&H Foundation for a Healthy Nation

The Foundation supports activities aimed at the improvement of health culture in Hungary, for example through the promotion of new forms of 'primary prevention' and popularisation and the support of health care workers.

K&H Foundation for the Training of Hungarian Economists

The Foundation aims to encourage activities playing a key role in Hungary's economic development, among others, by supporting the further education of economics students abroad and by providing financial support for young professionals (lecturers and students).

K&H Táncsics Mihály - Open Society Foundation

The Foundation aims to promote social development by encouraging social organisations and initiatives, among others, through the support of research in sociology and political science, and international exchange programs for young professionals. Furthermore it endeavours to promote independent Hungarian press, cultural press and literary publications and to improve the working conditions of those working in the printed and electronic press.

K&H Foundation for Hungarian Science and Technical Progress

The Foundation aims to encourage Hungarian scientific progress and the development of technical and industrial design, for example by supporting fields of natural and social sciences through the improvement of working conditions of research programmes of various technical and applied arts colleges and universities.

K&H Murillo Fine Arts and Performing Arts Foundation

The Foundation promotes the protection and collection of artistic treasures by aiding creative work, organising exhibitions and supporting Hungarian artists residing in Hungary or abroad; improving the operating conditions of cultural press, seeking interfaces between science and arts, producing artistic performances, promoting a more efficient cooperation between applied artists, designers and industries, talent scouting and management and supports organisations with similar objectives.



improvement of services

K&H strives to improve its products and services both in terms of technology and quality, and we take into account our clients' needs and feedback.

talking ATM

K&H was the first financial institution in Hungary to provide easily accessible banking services to visually impaired clients when it launched its ATM with audio help and a keypad complete with Braille characters. The Bank plans to expand this special feature across its entire ATM network.

access

We pay special attention to clients with reduced mobility. We have launched a programme to provide access to our branches in accordance with the principle of equal opportunities. Our new branches are already designed with this in mind and, although this is not required by law, access is provided everywhere where the technical conditions allow this.

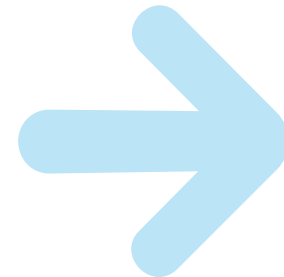


consumer advisory service

helpdesks

- K&H TeleCenter: available 24 hours a day, 365 days a year by phone or email.
- K&H Corporate Customer Service: available 07.00-17.00 on weekdays to our SME clients.
- K&H TeleLeasing: available to the clients of the Leasing Group on weekdays by phone or email.

With the help of the automated system clients can promptly reach the most competent administrator in the issue concerned. In the case of complex questions our staff provides information on the estimated processing time, the procedure and the result. These services are also available in English.



K&H Corporate Customer Service was the first service of this kind to obtain the BS EN ISO 9001:2000 certificate after a successful audit by British Standard Institution (BSI) at the end of 2004, which further guarantees that our clients receive a high quality service, which benefits from regular control.

complaint management

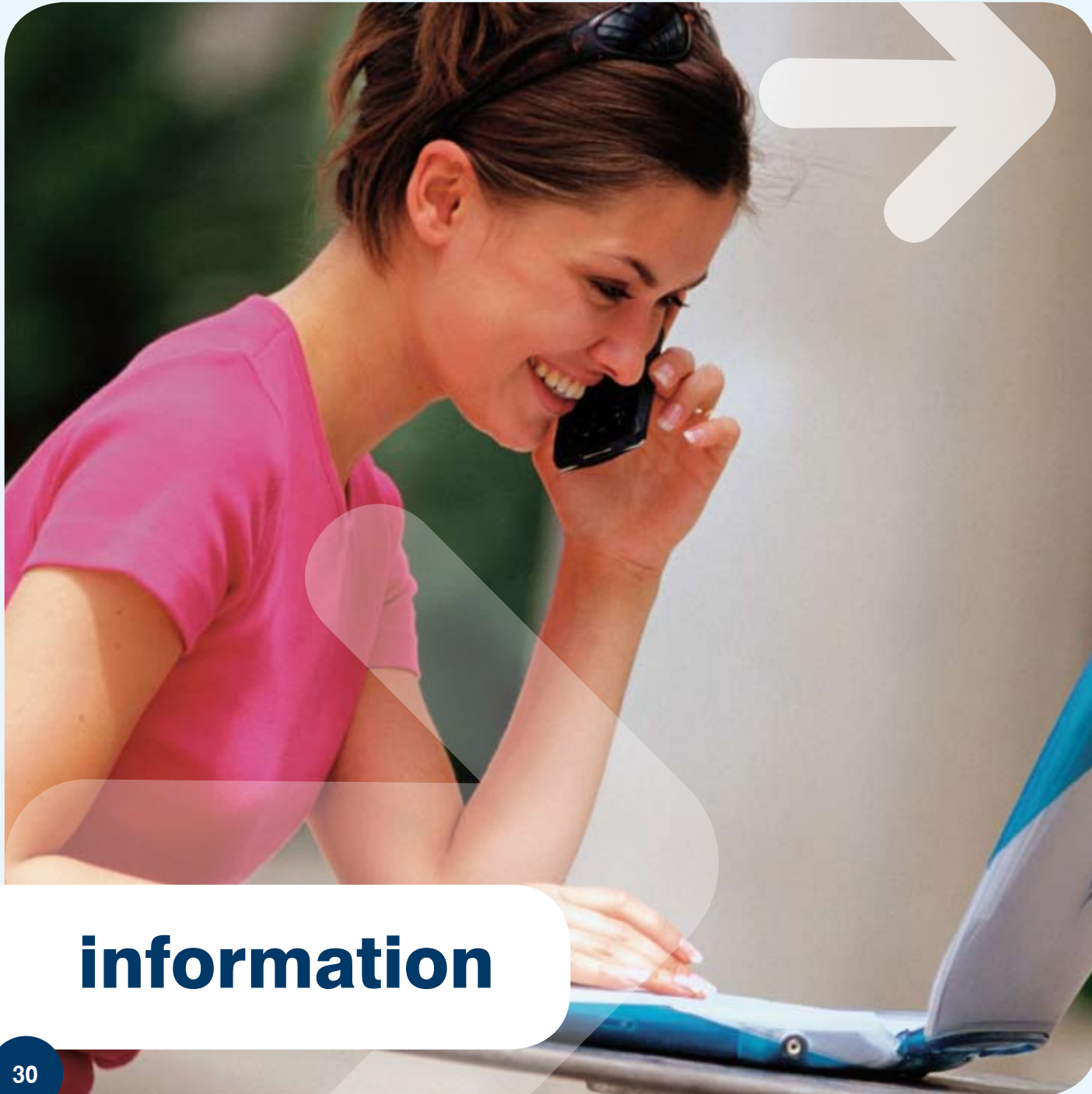
Complaints are managed in accordance with the Complaint Management Regulation.

Complaints may be lodged through K&H TeleCenter, K&H Corporate Customer Service, electronically or by post.

As a general principle, we try and remedy the reported problems straight away whenever we can. If this is not possible, or the complaint has been sent electronically or by post, it is processed by the Remote Channels Support Unit. They are also responsible for coordination if other units need to be involved in resolving a problem.

All complaints are entered into the central complaint management system developed by the Bank. Clients are notified about the solution or outcome in the manner requested by them: electronically, by post or by phone. If the problem takes a longer time to resolve, we regularly inform the client about the progress and the expected completion date. Customer services log the complaints, then refer them to the managers of the relevant organisational units so that they can be resolved as efficiently as possible.





information

➔ public information

company information

K&H Bank

Head office: 1051 Budapest, Vigadó tér 1.

Mailing address: 1851 Budapest

Central switchboard: (06 1) 328 9000

Fax: (06 1) 328 9696

Email: bank@kh.hu

Company registration number: 01-10-041043

Court of Registry: Metropolitan Court as Court of Registry

Tax number: 10195664-4-44

Pursuant to Act CXII./1996 on Credit Institutions and Financial Enterprises, the Bank conducts business under the supervision of the Hungarian Financial Supervisory Authority (1013 Budapest, Krisztina krt. 39.), under business license no. ÁPTF 969/1997/F.

Ownership structure of K&H Bank:

KBC Bank N.V.: 100%

K&H Life Insurance

Head office: 1068 Budapest, Benczúr u. 47.

Mailing address: 1535 Budapest, Pf. 782

Central switchboard: (06 1) 461 5200

Fax: (06 1) 461 5276

E-mail: biztosito@kh.hu

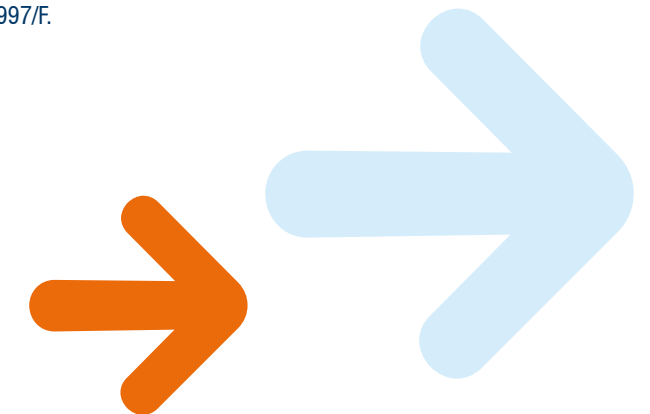
Company registration number: 01-10-041919

Court of Registry: Metropolitan Court as Court of Registry

Tax number: 10765920-4-44

Ownership structure of K&H Life Insurance:

KBC Insurance N.V.: 100%



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