



2014

K&H Group

Sustainability Report

imprint

→ **K&H Group**

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→ **responsible editor**

Hendrik Scheerlinck, CEO



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→ I. foreword by the CEO

Dear Reader,

2014 K&H Group again placed strong emphasis on social responsibility, to ensure that, next to the high-quality financial and insurance services we offer to clients, we also help members of our society through the role we play in the community.

The year 2014 was dominated by preparation for the 'settlement' and 'HUF conversion' processes, to make sure we can meet the legal requirements. To make banking easier for customers and to protect the environment, we changed contract documentation. We continued to pay much attention to resolving the situation of bank customers who cannot maintain their repayments due to financial difficulties. Since 2014, customers of K&H Insurance have been able to access their documents via the Client Portal [Ügyfélportál] at any time of their choice, and our Client Experience team helps us further develop our products and services, relying on the feedback received.

In September, 2014 we launched a new initiative to help those in need. Our 'K&H for the underprivileged' programme overarches all four areas where we offer support, and aims to help those living in the most underprivileged regions of Hungary, focusing especially on children.

The initiative was also joined by K&H Asset Management, by earmarking 2 million HUF from its new, 'K&H go!' social responsibility fund for helping four primary schools and a nursery school buy new sports equipment for their gyms.

In 2014 our financial services were again recognised by a number of awards. K&H received the 'Best Bank in Hungary' award anew from the international financial magazine 'Euromoney'. The professional magazine 'Banker' awarded us the 'Bank of the Year in Hungary' title for the 4th time. In addition, K&H Group also received the 'National Champion' in customer focus award from 'European Business Awards'.

In addition to serving our customers to a high standard, in 2014 we again focused on environmental protection, supporting children's healthcare and sports, as well as the creation of an

attractive workplace. In addition, as part of our community role, we paid special attention to the education of young people, as well as performing arts.

Our efforts in children's health-care were also recognised internationally. In 2014 our K&H MediMagic 'Story-Telling Doctors' programme won the 'Golden World Award' prize of the International Public Relations Association – known as the Oscars of the communications industry. Our social responsibility activities were also recognised through the 'CSR Best Practice' award of the Hungarian Public Relations Association'.

Our colleagues are our most valuable resources. Therefore we are making significant efforts to create an attractive workplace for them. Our work was recognised by the Government through its 'Family-Friendly Workplace' award, and by the 'Három Királyfi, Három Királyné' [Three Princes and Three Princesses] Movement through its special award titled 'Family-Friendly Company, 2014'. In recognition of the infrastructure helping those commuting by



bike and the attitude shown towards them, in 2014 K&H also received the 'Bike-Friendly Workplace' recognition from the Ministry of National Development.

I trust that through our Sustainability Report you will also get a comprehensive picture about how we see our position in our social environment, and how we contribute to the better future and full lives of those living around us.

**Sincerely,
Hendrik Scheerlinck
Chief Executive Officer**



→ II. K&H Group's organisations and memberships

K&H Bank's Board of Directors (as at December 31, 2014)

Luc Gijssens - Chairman (Executive Director & CEO, International Markets, KBC Group N.V.)
Hendrik Scheerlinck (K&H Bank, CEO)
dr. Ágnes Bába (K&H Bank, Deputy CEO)
Martin Jarolim (Senior General Manager, Core Communities Banking & Int'l Markets, KBC Group N.V.)
Christine Van Rijssseghem (Chief Risk Officer, KBC Group N.V.)
Jan Gysels (General Manager Banking, KBC Group N.V.)

The Supervisory Board (as at December 31, 2014)

Béla Singlovics - Chairman
Christian Leysen
Zsuzsanna Kovács
Diego du Monceau

K&H Insurance Definitive Supervisory Board (as at December 31, 2014)

Luc Gijssens - Chairman
Hendrik Scheerlinck
Johan B.P. Daemen
Attila Gombás

Ownership structure of K&H Bank (as at December 31, 2014)

KBC Bank N. V.: 100%
number of retail branches: 210
number of corporate branches: 11
auditor: Ernst&Young

Ownership structure of K&H Insurance (as at December 31, 2014)

KBC Insurance N. V.: 100%
auditor: Ernst&Young

membership in key professional organisations

Hungarian Banking Association
Budapest Chamber of Industry and Commerce
American Chamber of Commerce in Hungary
Magyar Forex Club
International Swaps and Derivatives Association (ISDA)
International Chamber of Commerce (ICC)
Institute of Internal Auditors (IIA)
Information Systems Audit and Control Association (ISACA)
Komárom-Esztergom County Chamber of Commerce and Industry
Hungarian Facility Management Association
The Trilateral Commission (Europe)
Academic Club Association
Association of Hungarian Insurance Companies (MABISZ)
Hungarian SEPA Association
Project Finance Club K&K pro Partnership
'Hírös Kulcs' Chamber Economic Development and Organisations Ltd.
SOL MO Learning Organisations for Sustainability Foundation
The Association of Chartered Certified Accountants (ACCA) Hungarian Business Leaders Forum (HBLF)
Hungarian Business Leaders Forum (HBLF)
Federation of Hungarian Hotels
Federation of Hungarian Grain Processors, Feed Producers and Merchants
Federation of Hungarian Livestock Farmers
Federation of Hungarian Poultry and Egg Producers
MILK Trade Organisation and Product Council



→ **identified stakeholders**

● **clients**

existing clients
clients who filed complaints
potential clients

● **közösség**

the general public
local communities
the national government/municipalities
educational institutions
consumer protection and civil society organisations
community media networks
regulators (financial, labour, urban design)
business and commercial federations

● **employees**

existing employees
- employees returning from maternity leave
trade unions
- potential employees

● **young graduates, students**

● **suppliers**

● **the media**

● **financial analysts**

● **KBC shareholders and investors**



K&H Group Corporate Sustainability and Responsibility Steering Committee (CSRSC)

The Sustainability and Corporate Social Responsibility Steering Committee is responsible for the corporate social responsibility activities of K&H Group in Hungary, and it represents the company's commitment towards such activities implemented across Hungary. The Committee identifies the topics and goals which are the most essential for the country, within the international framework created by KBC Group. It monitors and supervises initiatives, results and the progress achieved, and approves the content of the sustainability report.

The Committee considers the boosting of its employees' awareness of K&H Group's corporate social responsibility activities as one of its key priorities, through internal newsletters, the group-wide newspaper and various corporate social responsibility campaigns that also involve employees.

Key topics in recent years included the results of the KBC Reputation Index, the launching of the 'K&H for the Disadvantaged' programme and its results, as well as volunteering by employees. They all serve the purpose of allowing K&H Group to make decisions in the course of its dynamic operation in a responsible way, contributing to the full life of present and future societies.



→ III. responsibility to clients

helping clients

→ K&H Bank

As in previous years, in 2014 K&H again set itself the target of serving clients to a high standard and **focusing on customer-centricity**, therefore continuing the **simplification of processes**, thus ensuring the acceleration of administration. We have spent significant resources on **digitalisation**, which, in turn, supports the provision of **high-quality, convenient and fast** services to clients, whilst allowing us to get to know their expectations better, and provide them with pro-active offers.

In 2014 the bank put special emphasis on **simplifying the mortgage process** at a number of points. Our clients can enjoy the benefits of these developments all through the credit application process.

During the year **we made our product offering more transparent**, restructuring complex products, and replacing them with new, easy-to-understand ones. We had a campaign period almost all through the year, where clients did not have to pay the majority of borrowing charges.

By providing regular training to colleagues and organising 'professional days', we further boosted the **quality of our credit advisory services**. **We created the so-called 'indicative front page'**, which offers a transparent and concise summary of the key points of information materials provided prior to concluding the credit agreement, which extends into multiple pages. Next to promoting understanding, the main benefit of this is that product variations also become comparable.

As part of our document simplification effort, we significantly **reduced the number of documents to be submitted**, saving time, resources and money for clients. As part of the

simplification effort we also tried to make sure that after accepting the credit application we **can give an answer to our customers' applications much faster**, and, if the answer is positive, we can disburse the requested funds as soon as possible.

In October we launched the **'Tax-Free Employer's Home Subsidy'** service for existing customers. This allows us to serve our business customers in line with the prevailing legislation in situations where they wish to give tax-free grants to their employees. Parallel with this, we have found a solution for our borrowing employees to open dedicated technical accounts free of charge, where we can credit any grants transferred in by their employers in a safe and transparent manner, allowing them to use these sums as it best fits them.

Over the past year we continued to pay strong attention to the **resolution of cases where clients cannot maintain their repayments** due to continuing economic difficulties. In line with the expectations of the National Bank of Hungary, we **provided customers with extensive information on the options available to them**, both in general terms, and also in the context of individual cases, working together with them in finding the optimal solution. Following the assessment of their individual life situations, clients could choose from **numerous solutions**, (e.g. exchange rate fixing, NAMA programme, extension of the tenor, repayment easement, repayment grace period, or the temporary suspension of repayments). By the end of 2014, we passed on applications to the **National Asset Management Agency** in respect of 3 725 credit transactions, while over the past years close to half of qualifying customers joined the **exchange rate fixing scheme**.

In addition, the year 2014 was spent in the spirit of making preparations for the **'settlement' and 'HUF conversion'** processes related to retail, mortgage loans, to make sure we can fully comply with the stipulations of the law, thus also **deserving the unbroken trust of our clients**.



→ K&H Insurance

K&H Insurance tried to meet requirements relying on well-trained customer service staff, electronic and phone services, as well as with a new **Client Portal [Ügyfélportál]** in 2014 as well. We created our own **Client Experience Team**, which, in the course of providing services, following processes and performing developments, helps incorporate feedback in our day-to-day, customer-centric operation, and encourages the organisation to renew itself by continually adapting to requirements.

We aim to keep our customers' interests in mind, and come up with insurance products and services that allow us to meet requirements emerging on the market in a fast and efficient way. In 2014 we reviewed a number of products, and added new covers. Both our life and non-life product ranges have been extended with **new items**, thus allowing us to offer clients **a wider selection of products**.

In the spirit of digitalisation and a paper-free, **environmentally conscious contracting process**, in 2014 we were already able to prepare insurance offers using tablets, which clients could sign on the spot. This simplified and accelerated the contracting process, and, as a result, tied agents had to travel less for concluding contracts, thus also being gentle on our environment.

In the 'life' business line we developed **calculators** for a number of products, allowing us to offer customers flexible and custom-made proposals.

In response to the feedback we received, the **health risk assessment**, which forms part of the life contracting process, has been switched to the phone channel, allowing us to assess our customers' state of health in an environment offering privacy, at a pre-agreed appointment that suits their needs best.

We simplified the contracting process, reducing the number of pages to be printed and the number of signatures to be placed on the documents.

→ K&H TeleCenter

Customers can call the K&H TeleCenter 24 hours a day, each day of the year with any queries or issues they may have. In 2014 the average time spent talking to customers was 3 minutes and 50 seconds.

In 2014 the number of customers turning to K&H TeleCenter reduced by 10%. Our colleagues received a total of 371,000 calls. The majority of calls concerned the reporting of errors, balance enquiries, the launching of transactions and the usage of our e-bank service. In 2014, 42,000 calls went to the Széchenyi Recreation Card customer line.

	2014	2013	Change in %
average call duration	3 m 50 sec	4 minutes	-4.2%
ratio of lost calls	5.10%	12.10%	-57.9%
average answer time to calls	0:27	0:58	-53.4%
number of customers turning to the Széchenyi Recreation Card customer line	42,000	53,587	-21.6%
number of calls to K&H TeleCenter	438,150	480,415	-8.8%
central number (3353355)	371,000	384,149	-3.4%
service center	67,150	96,266	-30.2%
electronic identification	228,500	343,000	-33.4%
via bankers	61,000	89,000	-31.5%
via automat	167,500	254,000	-34.1%



→ e-bank, mobilbank, online banking

In 2014 we continued to optimise the K&H retail and SME e-banking and mobile banking application which had been given a facelift in the previous year. The main objective was to boost customer satisfaction and perfect our services. As a result, by the end of the year the number of errors reported reduced by 90%. Next to on-going optimisation we also introduced a number of novel features, aiming to provide the right customer experience and support.

Thanks to our client relationship management tool, clients can now find out about our customised offers via their e-bank application as well. They also have the opportunity to conclude electronic contracts from their homes for pre-rated cash loans, credit cards and/or overdraft facilities.

In 2014, K&H e-bank was, on average, used by quarter of a million clients monthly, which represents over 10% growth year-on-year. At the end of December, 2014, the number of clients subscribing for this service exceeded half a million, i.e. half of our clients have e-bank.

In 2014 **Client Portal [Ügyfélportál]** was launched for the customers of K&H Insurance, which allows them to access their non-life documentation at any time, in an easy and simple manner. This means that they can access the policies and premium notices linked to their insurance contracts electronically, in an environmentally friendly fashion, via a single contact point.

In 2014 we also further developed the **interface allowing the on-line reporting of claims**. In addition to fast and instant claims reporting, by entering a few details clients can also receive information about the covers contained in their home policies. Furthermore, we also set up the phone-based **'settlement through agreement' process**, which has significantly reduced the duration of claims settlement.

→ accessibility

We are trying to make sure that customers with disabilities or impaired sight or hearing can also use our branches safely, without needing to rely on external help.

In 2014 we commissioned one branch with wheelchair access, so by now 80% of our branches comply with accessibility norms. In addition we have continued the process of providing easier access to people with hearing impairments. By 2014 we fitted 420 out of our 433 ATMs with a speech panel, to make sure our customers with impaired hearing can also use them independently.

products and services

→ socially responsible funds

The Bank's portfolio also provides a good reflection of the importance of K&H Group's social responsibility programme. K&H has been offering so-called socially responsible funds since 2010, aiming to draw attention to ecological and social challenges.

By the end of 2014 the value of assets held in open-ended eco-funds reached 1.1 billion HUF. This portfolio offers optimal investment opportunities in the securities of companies which also focus on issues such as alternative energy, water treatment and the reduction of the adverse effects of climate change. The shares contained in the KBC share funds underlying the Fund comply with SRI (Socially Responsible Investments) standards.

Again in the spirit of social responsibility, in the autumn of 2014 we issued the 'K&H Move!' capital protected fund, which shares in any increase during the term in the value of the basket that consists of the shares of companies involved in the manufacturing and distribution of leading edge sports equipment, as well as the production of sports drinks. The fund, however, is not just a favourable form of investment, but also part of the 'K&H for the Disadvantaged' programme, and therefore out of the fund's income we donated a sum of 2 million HUF to schools and kindergartens in the country's underprivileged regions, for purchasing sports equipment.



→ complaints handling

All customer service areas of K&H perform complaints handling duties. Customers have a variety of channels and methods available for submitting complaints. In 2014 K&H was contacted with 27 764 complaints in total. Most of the complaints received concerned bank accounts and bank card transactions. In 2014 K&H Leasing merged with K&H Bank, and therefore the complaints handling functions of the two units also amalgamated. The majority of complaining customers filed their complaints in person or by phone; however, still a high number of customers submit complaints in writing, either by mail or electronically.

In May, 2014 we surveyed the complaints-handling process amongst complaining clients, with the participation of 637 customers. In total, 38% of respondents were happy with the complaints management process, and 52% were also satisfied with the resolution of the issue.

complaints handled by the Complaints Management Team broken down by business line and category (number of complaints)

business area	category	2014	2013	2012	2011	2010	2009	2008
retail	account	6469	6434	4219	4157	4735	4982	4451
	deposit and investment	362	561	425	351	179	875	539
	bank card	6097	5857	6389	8143	10,710	16,107	11,529
	loans	2286	2873	2835	2002	1493	1426	1056
	e-bank	1768	2584	1744	809	960	1574	1682
	SZÉP card	126	159	430	-	-	-	-
	other	413	561	467	439	498	411	286
	retail in total		17,596	19,029	16,509	15,901	18,575	25,375
SME	account	1166	1623	1068	769	1506	817	801
	deposit and investment	17	47	25	22	9	13	18
	bank card	740	731	801	689	420	1233	162
	loans	27	34	29	18	25	60	43
	e-bank	609	1215	754	479	102	457	680
	SZÉP card	126	18	317	-	-	-	-
	other	75	104	82	58	46	104	101
	SME in total		2644	3772	3076	2035	2108	2684
corporate	account	53	100	163	227	523	373	531
	deposit and investment	1	9	12	23	34	26	33
	loans	0	52	0	3	10	22	210
	bank card	17	2	91	166	40	351	10
	e-bank	104	229	344	380	403	387	588
	SZÉP card	0	11	85	-	-	-	-
	K&H Leasing	3184	1320	1595	1130	-	-	-
	other	35	39	57	79	72	254	129
	corporate in total		211	442	752	878	1082	1413
other	other, not classified	2129	4379	10,178	9359	14,847	0	0
	K&H Insurance	2000	1596	1180	1120	none	none	none
total processed:		27,764	30,547	24,307	30,423	36,612	29,472	24,307



→ consumer protection procedures

In 2014, 10 customers submitted consumer protection complaints to the National Bank of Hungary (MNB) which triggered special consumer protection investigations. The investigations did not result in the imposition of fines in any of the cases. However, the Bank had to pay a fine of 40 000 HUF in respect of a complaint launched in 2013 and closed in January, 2014 concerning a leasing scheme.

As a result of the comprehensive consumer protection investigation launched in 2013 by MNB at its own initiative, in 2014 we had to pay a fine of 15 million HUF, resulting from the complaints management of Leasing. The year 2014 comprehensive consumer protection investigation was launched in March and is still in progress.

MNB launched a targeted consumer protection audit in respect of the unilateral modification of fees, commissions and charges linked to payment services, which adversely affected consumers; looking, in particular, at our compliance with the stipulations of legal provisions. MNB conducted this procedure at 156 financial institutions, and, as a result, imposed a total fine of 1.86 billion HUF on 136 financial institutions. 139 financial institutions even had to refund sums to their consumers. Due to the lawful conduct of K&H, MNB neither imposed a fine, nor established a refunding obligation.

In November, 2014, MNB also performed target investigations in banks concerning the practices they followed in respect of the calculation of APR. This investigation is still in progress.

In February, 2014 the Economic Competition Office (GVH) launched a consumer protection procedure against K&H, on the assumption of the violation of the ban on commercial practices unfair to consumers, in the context of the K&H mix savings product. In its ruling, GVH imposed a fine of 80 million HUF.



→ IV. responsibility towards the community

K&H Group intends to adopt smart decisions in the course of its dynamic operation to help the present and future members of society realise the full potential of their lives. This is an objective that K&H wishes to pursue in four key areas of its corporate social responsibility policy: i.e. protection of the environment, paediatric health care, sports, and the creation of an attractive workplace. In addition, in 2014 the Group continued to be active in the four areas of community assistance where it had been focussing its efforts for years: child health care, sports, education of the young, and the performing arts.

In September 2014, K&H Group launched its 'K&H for the Underprivileged' programme, which is a charity encompassing all of its community assistance areas. This programme involves activities in all four community assistance areas in order to provide support to the populations – especially children – living in Hungary's 47 most disadvantaged small regions. In the framework of the 'K&H for the Underprivileged' programme we co-operate with the State Secretariat for Social Empowerment of the Ministry of Human Capacities and a specialist of the Hungarian Academy of Sciences.

The Hungarian PR Association has awarded its 'CSR Best Practice' prize to K&H Group for its socially responsible activities, and especially the 'K&H MediMagic' programme, a charity which galvanises the entire society.

protection of the environment

→ energy consumption

Thanks in part to its environment-friendly projects carried out in previous years and in part to the mild weather in 2014, the Group's ecological footprint has decreased even further. 2014 has been the first year since the occupation of the new head-office building in which both our energy consumption and emission of greenhouse gases were lower than ever before.

We have set ourselves two environmental targets over the past few years: to cut back both our electricity consumption and CO₂ emission by an annual 1.5%. We more than hit those targets in 2014: our electricity consumption and CO₂ emission fell by 3% and 12.2% respectively, the latter mostly on account of very low gas consumption (-37.7%). Our total energy consumption decreased by 16.6%.

We continued switching to LED lighting in both our branch network and the head-office building. Our newly refurbished branches are equipped only with LED lighting and so are the community areas of our head office, too. More than that, we have replaced the illumination sources in all our outdoor branch logos to LED systems.

We improved the remote control of the branches' energy consumption to a new level, allowing us to perform online monitoring on a daily basis and to intervene in case either extremely high or extremely low consumption is detected.



→ The Equator Principles

K&H Bank as member of the KBC Group adopted the Equator Principles (EP) back in 2004 to demonstrate that we want to play a pro-active role in sustainable business development. The EP are a set of guidelines developed by commercial banks and the International Financial Corporation (IFC), a subsidiary of the World Bank, for managing social and environmental issues related to project finance.

K&H is committed to funding projects only if the borrower is able and willing to comply with EP in its environmental and social policies, standards and assessment procedures.

In 2014 K&H Bank took part in the refinancing of one major infrastructure project, being subject to EP and related to development and operation of an airport. The environmental and social impacts of this project are deemed limited and can be readily addressed through mitigating measures (Category B).

Beyond this, K&H Bank also funded several small-sized projects in the renewable energy sector, with total investment costs below the 10 million US dollar threshold to be included in the EP reports.

→ our environmental data

paper and water consumption

	2014		2013		2012		2011		2010	
	FTE*	Consumption	FTE*	Consumption	FTE	Consumption	FTE	Consumption	FTE	Consumption
paper (t)	4037	332	4138	411	4182	516	4261	461	4376	717
consumption / headcount (t)		0.08		0.10		0.12		0.11		0.16
water (m ³)	4037	28,864	4138	30,096	4182	35,852	4261	36,925	4376	38,660
consumption / headcount (m ³)		7.15		7.27		8.57		8.67		8.83

*FTE: full-time equivalent

By rationalising our operating processes we could further decrease our paper consumption both in absolute and per headcount terms to historic lows.

amount and use of waste generated (tonnes)

	2014	2013	2012	2011	2010
recycled	267.3	347	188.25	167	159
incinerated	30.3	6.16	43.2	9	16
dumped to landfill	781.24	1016.2	1040	1046	1047
total waste	1078.84	1369.36	1271.45	1222	1222

The amount of waste generated by the Group decreased by a substantial 21.2% despite a sweeping campaign of discarding. The only figure to increase was the amount of waste incinerated, and this was on account of the discarding. Less waste is a natural consequence of cutting back on paper consumption.



annual energy consumption (Gigajoule)

	2014	2013	2012	2011	2010
direct energy consumption					
gas consumption	35,672	57,325	74,459	35,900	36,200
total:	35,672	57,325	74,459	35,900	36,200
indirect energy consumption					
electricity consumption (kWh/GJ)	54,696	56,519	69,717	65,432	65,465
other energy (district heating)	27,759	27,890	25,152	39,110	39,393
total:	82,455	84,409	85,720	104,542	104,858
grand total	118,127	160,179	140,442	141,058	141,058

Our gas consumption decreased by 37.7% in 2014. This was mainly attributable to the mild weather, which allowed us not to burn any gas for heating other than tempering the fresh air taken in at head office. The heat pumps were enough to provide the rest of the energy.

Our electricity consumption decreased by 3.23% and our district heating consumption by a negligible amount in 2014. All in all, we used 16.6% less energy than in 2013.

CO₂ emission (tonnes)

	2014	2013	2012	2011	2010
közvetlen energiafelhasználásból					
gázfogyasztásból	2060	3216	4154	2014	2031
összesen	2060	3216	4154	2014	2031
közvetett energiafelhasználásból					
áramfogyasztásból (kWh/GJ)	5546	5730	6850	6668	6674
egyéb energia (távfűtés)	2105	2115	2126	2194	2210
összesen	7651	7845	8976	8862	8884
mindösszesen	9711	11,061	13,130	10,876	10,915

Our CO₂ emission decreased by 11% on 2013, i.e. broadly in line with our total energy consumption.

→ green branches

We opened our new Budaörs branch in January 2014. As this building was designed under K&H Bank's supervision right from the beginning we had the opportunity to equip it with A and A+ energy class features only. The following green solutions were used:

- air-water heat pump for both heating and cooling
- modern, low-thermal-conductivity windows
- modern, economical shading
- LED lighting, both indoors and outdoors.

With the Budaörs branch the number of our green branches grew to 13 in 2014.

child health care

In 2014, we invited applications for funding for the eleventh time under the auspices of our K&H MediMagic paediatric health care programme. In that year alone 18 hospitals and 14 ambulance units were awarded funding for medical equipment purchases in the total amount of more than HUF 38 million, increasing the number of beneficiaries to 302 and the total amount awarded to applicants to more than HUF 530 million.

As a sign of our intent to support the underprivileged, the programme paid special attention to institutions located in the most disadvantaged small regions, which competed in a separate category. Thanks to the nationwide programme and our Christmas charity – courtesy of our partners and employees – in 2014 K&H MediMagic donated medical equipment funding in the total amount of HUF 4.3 million to five health care institutions operating in the most underprivileged small regions of Hungary.



→ nationwide medical equipment funding competition

The 11th nationwide equipment funding competition programme focussed on institutions providing emergency health care services to children. In 2014, a total number of 102 paediatric health care institutions applied for funding to be awarded in the programme and 16 of them received a combined amount of HUF 20 million to buy a variety of medical equipment and devices.

→ card programme

In 2014, we donated a further HUF 10.2 million to K&H MediMagic from our income generated in connection with our clients' K&H MasterCard purchases. The amount was used to procure equipment for two hospitals and five ambulance units providing services to children.

→ Christmas charity

Similarly to previous years, in 2014 again K&H MediMagic was donated the amount originally earmarked to buy gifts for the company's clients and business partners. This time three hospitals and one ambulance unit received HUF 5 million between them to be spent on medical equipment and devices.

→ donations by our employees and partners

In 2014, our employees and partners continued to join the K&H MediMagic programme. Gravoform, a small business partner of K&H, donated HUF 0.5 million to the Department of Obstetrics of Semmelweis Hospital, Miskolc, for the purposes of equipment purchase.

K&H's Private Banking business line and our private banking clients donated equipment worth HUF 0.6 million to the Paediatrics Institute of Debrecen University.

Once again, many of our employees decided to donate the Christmas dinner contributions offered to them by K&H: the ambulance services of Baktalórántháza and of Orosháza received HUF 1.1 million between them as a result. Many of our colleagues also donated 1% of their personal income tax payable for 2013: the amount collected this way (HUF 1

million) was used to buy medical devices for the Jászapáti ambulance station.

In addition to offering their financial support, our partners were eager to help the children recover faster in other ways, too: the books and toys donated by Budapest Sportiroda and Atmedia were awarded to Paediatrics Clinic I of Semmelweis University, Budapest, and to Almási Balogh Pál Hospital, Ózd.

→ K&H MediMagic story-telling doctors

Ever since the beginning of the programme K&H MediMagic has paid special attention to the psychological health of children in hospital. The 'K&H MediMagic story-telling doctors' initiative continued with unbroken success through 2014 and by the end of the year the number of volunteer story tellers has reached 32 thousand. 4,000 of them actually paid a personal visit to the children at a total number of 44 hospitals nationwide.

People – as well as businesses – continued to join 'K&H MediMagic story-telling doctors on the Web' in great numbers in 2014. This online branch of the programme, started in December 2013, has brought many a charming story to the little inpatients by means of video, via the internet. By the end of 2014, 205 stories have been uploaded to the K&H MediMagic Youtube channel, watched by children lying in 30 hospitals nationwide on as many as 22 thousand occasions on computers donated by K&H.

In 2014 K&H MediMagic story-telling doctors, the only Hungarian programme that was entered in the competition, was singled out and received the International PR Association's Golden World Award.



sports

In line with K&H Group's CSR policy and the role that we wish to play in society, we devote special attention to sports in order to contribute to this and future generations leading healthy and wholesome lives. We admire the commitment, dedication and outstanding performances displayed by our leading athletes and wish to set them as an example for others. In that same spirit, we continued to be the proud holder of the title "Financial Institution of the Hungarian Paralympic Team" through 2014 and we also awarded a grant to two individual athletes in the framework of our 'K&H go!' Paralympic card programme. Our mass sport events throughout the year were designed to offer a variety of programmes to active audiences.

→ Financial Institution of the Hungarian Paralympic Team

Pursuant to an agreement signed in 2013, K&H continues to be the Silver Sponsor of the Hungarian Paralympic Committee and the Financial Institution of the Hungarian Paralympic Team until 2016. We provide full-scale financial services to Paralympic athletes as well as their organisation and assist their preparations for various international contests – especially the Paralympic Games, to be organised in Rio de Janeiro, Brazil, in 2016 – by offering them a sound background to fall back on.

→ K&H go! Paralympic card programme

In the framework of the K&H go! Paralympic card programme, in 2014 we awarded two Paralympians a grant of HUF 1 million each, disbursed in equal monthly instalments through a period of five months. The amount was raised by K&H donating HUF 1 of its own revenue for each HUF 1,000 spent by its clients using a K&H Visa Classic embossed debit bankcard. We intend to use the amounts raised this way to help Paralympic athletes live a full life by supporting them in their preparations so they can achieve outstanding results. The winners of funding were selected by the general public, through online ballot: we received more than 135 thousand votes for the various candidates of the Hungarian Paralympic Committee. Among the adult competitors, the winners were Ilona Biacsi, mentally impaired runner, and Piroska Csontos, mentally impaired runner and long-jump athlete competing in the 'Hope' category.

Besides the individual grants awarded to the above two Paralympic athletes, we donated a further HUF 1 million to be distributed by the Hungarian Paralympic Committee in the framework of the "K&H Paralympic Hopes" programme among young talents with disabilities who have not participated in international races yet but who have put up some excellent and very promising performance.

→ K&H go! running days

In 2014, K&H go! runs were organised in three different locations: the enthusiasts could take up the challenge at the Kecskemét, Kaposvár and Budapest marathon and half marathon relay events, involving a total number of 14,100 participants (1,300 more than a year earlier).

→ K&H go! cycling days

K&H's cycling events have been very popular for years. In 2014, therefore, we invited bikers to join us on two weekends: in May, we cycled around Lake Velence in a single day; and then in August we circled around Lake Balaton as part of the K&H Move! 2-day cycling tour. In 2014 a total number of 1,400 people entered the two events (compared to 1,200 a year earlier).

→ K&H go! Velence lake crossing event

To provide additional support for sports, in 2014 K&H Group decided to extend its focus to include yet another type of mass sport: the K&H go! Velence Lake Crossing and Hiking Triathlon event offered swimming and hiking enthusiasts three different distances to compete at. The race was entered by 1,500 contestants.

→ sports equipment grant competition for underprivileged small regions

In September 2014 K&H Group announced its sports equipment grant competition in the framework of the 'K&H for the Underprivileged' programme. Of the 47 most underprivi-



leged small regions, the kindergartens and elementary schools of Abaúj-hegység, Bodrogköz and Sellye were invited to compete for sports and movement coordination equipment. The winners – the kindergarten of Alsóberek and the primary schools of Gönc, Sellye, Tiszakarád and Vajszló, a total number of five institutions – received HUF 2 million between them to buy a variety of sports equipment. K&H Group funded the equipment purchase grant from the revenue generated by the K&H go! capital protected fund.

→ Triathlon for the visually impaired

In the framework of its group level CSR policy KBC of Belgium (K&H's parent) has cooperated with Time4Society (T4S), a Belgian non-profit organisation, since 2011. Their joint programme is called "KBC for the Society".

K&H colleagues were invited to join a triathlon event organised by the SUHANJ! Foundation with the involvement of T4S's Hungarian branch, Brandshift, under the auspices of the K&H go! programme. The event was intended to promote opportunities for people with disabilities and the non-disabled to join in sports and games together. This time seven visually impaired young persons entered the event, physically assisted by nine of our colleagues from K&H.

education of the young

The 'K&H Ready, Steady, Money!' financial competition has been announced for the fourth time in the 2013/14 school year. The competition's aim is to encourage primary-school pupils to gather financial information and improve their awareness so they can make smart financial decisions when they grow up.

This time we received 1.5 times more applications from teams from all over the country than in 2013, so in 2014 we actually broke our 2012/13 record! In the year 2013/14, a total number of 4,700 pupils (1,081 teams) representing 350 schools located at 224 different places in Hungary were entered.

The competition has already been announced for the 2014/2015 school year and we are proud to report that, again, we have a record number of participants: 1.5 times more

than the year before! As many as 1,667 teams from 435 schools located at 272 different places have applied and sent us their solutions in the first, online round of the competition. This means that, all in all, more than 6,800 pupils will compete and have their financial awareness tested.

number of participants of the 'K&H Ready, Steady, Money!' financial competition

	2014/2015	2013/2014	2012/13	2011/12	2010/11
number of schools	435	350	223	226	89
number of teams	1667	1081	696	539	150
number of participants	6800	4700	3000	2700	600

K&H Group wishes to devote special attention to underprivileged small regions and disadvantaged pupils in the context of the 'K&H Ready, Steady, Money!' financial competition as well. As part of the programme, in the 2014/15 school year a K&H branch employee joined forces and went on a roadshow with an education expert: they visited a number of schools together to present a support-material package developed with a view to being used by the local teachers to raise their pupils' financial awareness. The package aims to teach the children some financial basics and raise their awareness in a playful manner, integrated within the regular curriculum. The first one of our series of teacher-training events took place on 9th December 2014 in Szerencs.

K&H also makes the preparatory material for the 'K&H Ready, Steady, Money!' financial competition available in a print-out format at the places involved, and provides financial support as necessary for the children's participation in the semi-final and the final.

The 'K&H Ready, Steady, Money!' financial competition has been awarded the Sándor Imre PR Main Prize by the Hungarian Public Relations Association.



performing arts

→ sponsorship activity; donations deductible from corporate tax

In 2014, K&H Group donated a total of HUF 2 billion **deductible from corporate tax** to 32 performing art ensembles, art organisations, theatres, and orchestras as well as sports organisations.

In addition, K&H sponsored **Budapest Festival Orchestra's** 'European Bridges' concert series, to the first evening of which it invited hundreds of its clients.

K&H was the principal sponsor of the third '**Theatres' Night**' festival, an extravaganza with the participation of 27 Budapest theatres, which took place in September 2014. The event also served as the opening of the theatre season in the capital.

→ cultural programmes for disadvantaged students

The 'K&H for the Underprivileged' programme allows deprived children to visit theatre and musical performances they could otherwise hardly afford. Besides the tickets, the programme covers the travel expenses and a cold meal.

In 2014, the 'K&H for the Underprivileged' programme carried more than 300 primary-school pupils from six towns and villages to various cultural events.

→ art collection

Taking up a leading role in the Hungarian corporate scene, K&H is rebuilding its art collection to be one of the most modern in business hands. The motto of the collection, "Art for a better and more meaningful world", marks an artistic trend that embodies K&H's core values: dynamism, an ability to renew, and responsiveness to the latest phenomena, coupled with the creation of lasting value, or – in short – striving for reliability.

The winner of the 7th K&H art sponsorship programme, painter Patrícia Linda Jagicza, received financial support from the Group for six months in 2014. In the art procurement part of the programme, the financial institution purchased five works of art by four talented artists: Patrícia Jagicza, Dia Zékány, Anikó Herbert and Zsolt Varga.



V. responsibility towards our employees

One of the pillars of our sustainability strategy is the creation of attractive workplaces because K&H Group considers its employees its most important resource. We intend to meet the expectations of our employees in all areas in order to build a team of satisfied, motivated and professionally competent workforce. Therefore, we pay special attention to the interests of our colleagues and offer various training programmes to improve their knowledge and facilitate their professional advancement. Informal meetings are also important to make our employees satisfied and committed – that is why such meetings were in focus in the year 2014 as well. We also help our employees create an optimum work/life balance, supporting them even in this manner so they can realise the full potential of their lives.

existing employees

human resources development, knowledge management

K&H Bank

In 2014, as in earlier years, our employees had the opportunity to choose from several training courses and find the ones best suited to facilitate the enhancement of their competences and their successful careers. We preferred cooperation-enhancement training and professional days to the conventional off-site team building sessions, and we also organised internal training courses. Moreover, we encouraged our employees to attend various professional conferences and skills-enhancement training.

We laid great emphasis on non-job-specific lectures and various information-sharing forums. Our free e-learning courses helped our employees improve their English language skills and Microsoft Office literacy. Some of our people even had the opportunity to receive bespoke training.

Our employees (88 of them) also received professional and language training under training contracts. In addition, we provided professional assistance to several of them in preparing their diploma theses.

K&H Insurance

We improved the professional skills of K&H Insurance employees by inviting them to attend conferences (in Hungary and abroad) as well as computer literacy training courses, while our sales staff were offered internal sales and product information training.

In 2014 we launched a comprehensive English training programme: our employees can learn the language individually and in groups, too. The allowances granted depend on the language skills necessary for performing the various jobs.

At the moment 65 K&H Insurance employees, nearly four times as many as the year before, have a running training contract. Most of these are about learning English and many support participation in higher education.

We assist our employees with competency development and personality development training, too.



2014 saw the first one of our K&H Innovate! days. This unconventional series is aimed at exposing our employees to new perspectives and fresh ideas delivered by speakers from various sciences and industries, so that they could get out of the everyday routine and find an inspiration to make innovative changes.

	2014	2013	2012	2011
Bank				
training days per head of workforce	9.2	8.5	7.95	8.9
training cost (HUF)	332,000,000	346,000,000	280,000,000	434,000,000
cost/person/year (HUF)	99,000	102,000	81,000	124,000
satisfied with training (%)	97.6	97.6	96	96.7
training contracts with employees	88	90	121	134
Insurance				
training days per head of workforce (own employees)	3.88	7.29	3.43	5.79
training days per head of workforce (tied agents)	9.72	7.19	4.97	3.1
total cost (HUF)	23,000,000	29,900,000	13,000,000	19,900,000
cost/person/year (HUF)	70,769	91,717	40,880	75,954
satisfied with training (%)	96	95.62	91.15	94.66
training contracts with employees	65	14	11	6

→ career planning and development

Our company considers it important to find talented colleagues with management potential, and to offer them suitable career development programmes that go beyond the scope of regular trainings. Experience shows that this is the most effective and reliable way to fill potential vacancies arising in the TOP 100 management positions and the key jobs in the network.

In 2014, 47 employees from the Bank and two people from the Insurance company participated in our KBC Talent Bank career development programme targeting employees

with management potential. Ten of them were later recruited to TOP 100 positions. We enhanced the competence of 13 colleagues in our K&H Network Manager programme. Six of them took up positions as branch managers and SME cluster heads.

→ pleasant work environment

● head office

Changing-room capacity in the head office building allowed more than 12% of the workforce to come to work by bicycle in 2014. The capacity increase (accompanied by some other, minor measures) has made cycling very popular with our employees. Even some executives have switched to two wheels, and the changing rooms are used extensively irrespective of the time of year. We estimate our employees covered an aggregate 460,000 km by bicycle just to come to work in 2014. Mainly as a consequence K&H Bank was the only financial institution to be awarded the Cyclist-friendly Workplace prize in 2014.

● child-friendly office

In order to make the life of parents with young children easier in 2013 a child-friendly office complete with five workstations started to operate at head office. The development enables K&H employees unable to arrange for the care of their children for a few hours or a couple of days to work in this office while their children can spend the time in a children's corner under the supervision of their own parents. To this day some 70 employees have made good use of this office. The Ministry of Human Capacities called applications for grants in the theme 'Family-friendly Company'. In the corporate category we won HUF 200,000. We spent this and another HUF 220,000 on equipment (furniture, toys, books) for this office.



● branch network

In our branches of new interior design there is much more room per person and the interior is considerably airier and more spacious. The furniture has been selected considering the latest ergonomic principles to allow our employees to work in a contemporary and pleasant environment.

→ fringe benefits

In 2014 we increased the income of our employees again. The average salary increase at the Bank was 0.5%, implemented as of 1st April 2014. At the Insurance company, the average salary increase was 1%, and the 2013 variable compensation were also paid during April.

Crèche allowance was included in the Flexible Fringe Benefits System in 2014, bringing the total number of benefits to choose from to 16. With 2,616 employees opting for it, SZÉP card balance top-ups were the most popular type of fringe benefit in 2014, followed by health fund contributions, followed closely by housing allowances as this type of benefit was made available for the repayment of debt owed to other banks too.

→ healthier employees

K&H holds it a key priority to allow the present and future members of society to live their lives to full potential. This is the reason why we devote special attention to helping our employees stay healthy. To this end, our employees participated in the regular medical aptitude tests in 2014, and we also provided ophthalmological, dermatological and rheumatologic care to people working at head office.

In addition, K&H Group employees can also use the gynaecological and otorhinolaryngological services available at the well-equipped Váci street surgery operated by our occupational health care service provider.

To our bespectacled colleagues we provide a biannual eyeglasses allowance. In 2014, 730 people took advantage of this benefit.

In 2014, K&H Group dedicated HUF 46 million to preventive health care and various health care services (the same figure in 2013 was HUF 33.7 million).

The support of an active and healthy lifestyle receives particular attention in K&H Group's corporate policies. For several years, we have provided various sports allowances to our employees to encourage them to exercise regularly. Our employees have the opportunity to use the services of the fitness studios and gym halls operating in the neighbourhood of the new head office at a discount, and they can participate in the K&H running and cycling days free of charge.

number of employees taking advantage of medical check-ups and various examinations

	2014	2013	2012	2011	2010
occupational health examinations, Budapest	2478	2929	2051	2399	1800
specialist examinations	1698	2123	1953	1506	1930
examinations outside Budapest	1404	1321	1209	1560	1280

→ young parents' programme

K&H Bank employees receive a one-off allowance of HUF 40,000 per child upon the birth of their babies, while K&H Insurance staff get shopping vouchers. 49 Bank employees and 8 Insurance employees received this kind of fringe benefit in 2014.

We have been running the 'K&H Welcome Back' programme since 2007. This is particularly aimed at our employees returning to work after having a baby. Parents with young children also have the option to work part time. 18 Bank employees and 4 Insurance employees took advantage of this opportunity in 2014.



→ employee statistics

K&H Group workforce composition (2014)

composition of the workforce according to gender, working hours and age	Bank	Insurance
executive management / of which female	36/8	4/0
experts/specialists, line and middle management / of which female	1055/588	150/89
subordinates / of which female	2251/1835	168/140
indefinite-term employees / of which female	3327/2425	288/206
definite-term employees / of which female	15/6	34/26
active	3342	322
non-active	373	50
male	928 (911 active)	93
female	2787 (2431 active)	229
full-time (100%) / of which female	3218/2324	310/220
part-time 80%-100% / of which female	11/9	1/1
part-time < 80% / of which female	113/98	11/8
total active headcount	3342	322

	2014	2013
Bank		
average age (male/female)	40.03 years (38.95/41.11)	39.55 years (38.2/40.9)
average time spent with the company	11.1 years	10.6 years
ratio of women in the organisation	72.74%	72.5%
ratio of women in management positions	7.27%	22.2%
ratio of employees with a higher education degree	56.02%	55.8%
Insurance		
average age (male/female)	38 years (38.3/37.9)	37.9 years (38.9/36.9)
average time spent with the company	6.3 years	5.8 years
ratio of women in the organisation	71.12%	72.9%
ratio of women in management positions	46.94%	0%
ratio of employees with a higher education degree	45.34%	47.9%

absenteeism (2014)

	2014	2013
Bank		
accidents	468	234
illness	16,317	15,119
maternity leave	87,927	84,856
other paid (incl. regular holidays)	104,631	103,109
other non-paid	4940	5757
total:	214,283	209,075
Insurance		
accidents	16	12
illness	12,508	2051
maternity leave	12,105	4004
other paid (incl. regular holidays)	10,558	7821
other non-paid	122	-
total:	24,059	13,888

attrition (% ,31st December 2014)

	2014	2013
Bank		
attrition, %	11.6%	10.7%
resignations, %	6.0%	4.9%
Insurance		
attrition, %	19%	15.5%
resignations, %	11.1%	9.8%

The Bank hired 358 employees while the employment of 402 was terminated; 12 left upon the expiry of their definite-term contracts and 64 retired in 2014. K&H Insurance hired 61 while 67 left, 11 upon the expiry of their definite-term contracts.



The local HR advisers conduct exit interviews with those resigning; the leavers can tell why they are quitting and what their plans for the future are (for which sectors and jobs they are leaving). We have 219 such exit interviews. More than half of those who resign continue in the banking and finances sector. Most leave for a higher basic salary, although barely more than one in three are offered a higher ranking job.

The primary reason for resignation mentioned is a lack of opportunities for career progress and self-fulfilment, which is followed by other professional and material reasons. Many get bored with their daily routine while others feel held back by the internal processes. In 2014 again several people left on account of emigration. On the positive side, people mention the diverse fringe benefits package, the high quality of the working conditions, the cutting-edge tools, the employer's good reputation and the cordial workplace atmosphere.

→ occupational safety, bank security

Following their entry, our new employees receive mandatory fire protection and occupational safety training, and everybody attends annual brush-up training in these topics to keep their knowledge up-to-date.

In 2014 nearly 1,800 attended fire protection and occupational safety training and we held bank security training courses and audits throughout the country.

Fortunately, there were only ten work related accidents reported in 2014 while 15 employees had a road accident. All the accidents were properly investigated in order to prevent such in the future.

→ internal communication

The internal communications channels used at K&H Group have proved to be effective in transmitting corporate information to all our employees. The annual kick-off events organised for all our colleagues and the all-staff letters forwarded to everyone electronically are intended to regularly inform our staff about the personal and organisational changes and the different K&H programmes.

Monthly events are organised for our TOP 40 executives, while our TOP 100 employees attend special professional and management events on an annual basis. "K&H Csoportkép", published electronically every two weeks, is a source of corporate news and information for our people.

In 2014, we continued our "Chat with the CEO" programme; some 850 employees attended the four regional and the two Budapest-based events.

→ employee events

In 2014 we organised the 'K&H Move!' sports days for our employees again, with the participation of 980. They matched their skills in 19 sports and undergone free medical screening at the same time.

Once a year, we organise an event for our tied agents to evaluate their annual performance, and annual team-building events, too, are held at the cluster level.

trade union

The K&H Trade Union has members in all entities of the Bank Group: fee-paying full-time employees, young mothers on maternity leave as well as pensioners. The Trade Union represents the interests of 1,100 active and 500 retired employees. Its main task is to engage in talks with the management of the company about benefits and remunerations for employees as well as social framework agreements. The K&H Trade Union is a member of the Trade Union Confederation of Employees of Banks and Insurance Companies and of the International Trade Union Confederation.

In 2014, the K&H Trade Union focused its activities mainly on periodically reviewing the Collective Agreement, engaging in salary negotiations, and defining welfare budgets. In addition, the Trade Union assisted several staff members in resolving their problems



related to labour affairs during the reorganisation of our network and provided support to some of our employees retiring from work. The Works Council and the Occupational Safety Committee continued to operate by following the practices of prior years. Works Councils operated within the Bank Group are coordinated by the K&H Group National Works Council. Hungary is represented by three members on the KBC European Works Council.

The Social Committee provides social support to employees and received 800 requests in 2014. In response, our employees were provided support worth HUF 42 million (the same amount as in 2013). This included the following types of support: funeral, social and schooling aid, and training and social support connected to lay-offs. The Office for Labour Force Services provides support to employees made redundant by assisting them in finding a new job.

potential employees, school leavers, students majoring in finance

Open to school leavers and career starters, K&H has taken initiatives to facilitate that young people desirous of acquiring experiences in the realm of finances may learn more about this profession.

In an effort to find talented students, we offer short and long internships to university and college students. In 2014, 91 students participated in the short and 171 in the long internship programme.

As part of the 10th K&H Career Starters programme, we again offered four positions to students who graduated in the academic year 2013/14. The students got acquainted with the various departments of K&H Group by participating in a 9-12-month rotation programme. At the end of the programme all four of them decided to continue their careers at K&H.

The K&H Corporate Career Starters programme was a novelty of the year 2014. It offered young people the opportunity to get acquainted with the internal workings of the Corporate Division. The participants were hired to work for corporate sales.

We organised the 6th Students' Cup, a national online bank simulation competition for college and university students, in 2014. 708 participated in teams of three. The winner team was granted a long weekend holiday in Belgium, where they visited the KBC head office too.



→ VI. responsibility to suppliers

We worked with 2,950 active suppliers in 2014.

In accordance with our earlier principles, every new contract we concluded this year also included the “Corporate Social Responsibility Statement”, and from 1 July 2014 the “Code of Conduct” as well.

Since 1 July 2014 all bidders in our large-value tenders must complete the corporate social responsibility (CSR) questionnaire that is part of the selection process of KBC, our parent company.

Our goal with the above is to:

- integrate criteria that represent social, ethical and environmental aspects,
- procure products and services that burden the environment as little as possible,
- work with suppliers who help KBC's progress toward sustainable development,
- work with suppliers who accept the principles set out in the UN Global Compact as binding.



VII. responsibility to the public

We attach great importance to press and media relations in our communications and keep our partners and clients informed about news or events concerning our company through the media as well.

We issued 238 press releases and held 24 press conferences in 2014. We responded to inquiries from the media 298 times during the year.

We publish our press releases on our web site on a regular basis to ensure that they are available to, and can be retrieved by, the general public and members of the press.

Social media has allowed us to establish even more proactive and direct relationships with our clients. We continuously monitor comments, posts, articles and blog entries that concern K&H, and make an effort to join the discussions in social networks both reactively and proactively.

In our social media communication we place considerable emphasis on the speed of our responses.



→ VIII. responsibility to shareholders and investors

relations with financial analysts

We provided reports on the company's financial results on a quarterly basis in 2014 as well. In compliance with applicable law, we published the K&H Group's semi-annual and annual results on both kozzetetelek.hu and the K&H website in time.

financial data

Unaudited, consolidated results of K&H under the International Financial Reporting Standards (IFRS):

→ K&H Bank

	31 December 2014	31 December 2013	31 December 2012	change 2014/2013
shareholders' equity*	HUF 179 billion	HUF 212 billion	HUF 215 billion	-15.6%
total assets*	HUF 2,442 billion	HUF 2,562 billion	HUF 2,462 billion	-9.6%
after-tax profit/loss*	HUF -29.1 billion	HUF 17.4 billion	HUF 20.5 billion	-267%

*IFRS consolidated, unaudited

→ K&H Biztosító

	31 December 2014	31 December 2013	31 December 2012	change 2014/2013
shareholders' equity*	HUF 11.9 billion	HUF 10.5 billion	HUF 10.3 billion	+1,3%
total assets*	HUF 123.9 billion	HUF 116.6 billion	HUF 106.2 billion	+6,2%
insurance technical profit*	HUF 2.6 billion	HUF 2.9 billion	HUF 2.4 billion	-10,3%
after-tax profit*	HUF 1.9 billion	HUF 2.2 billion	HUF 1.9 billion	-13,63%

*IFRS consolidated, unaudited

→ adók

	Bank	Insurance	Total
corporate income tax + local business tax + innovation contribution	HUF 8 million	HUF 632 million	HUF 640 million
bank tax (based on subsidized loans)	HUF 319 million	0	HUF 319 million
bank tax (based on adjusted total assets)	HUF 15.8 billion	0	HUF 15.8 billion
insurance tax	0	HUF 382 million	HUF 382 million
financial transaction levy	HUF 20.1 billion	0	HUF 20.1 billion



→ IX. awards and recognitions

The work of K&H was recognized with several awards again in 2014. Some of them were related to our financial and professional activities, but our efforts aimed at creating a family-friendly workplace, our corporate social responsibility activities and our communication practices also won several awards.

→ Best Bank in Hungary

International financial magazine Euromoney awarded K&H Bank the Euromoney Award for Excellence for “Best Bank in Hungary” for the second time in a row. This honour is bestowed on those in each region or country who are deemed the most worthy in terms of size, activities, profitability, growth, and performance relative to competitors. The decision also takes into consideration their adaptation to market conditions and client needs.

→ Bank of the Year in Hungary

International banking and finance magazine The Banker – a Financial Times publication – awarded the title “Bank of the Year in Hungary” to K&H for the fourth time this year. The “Bank of the Year” award goes to nearly 150 selected financial institutions worldwide each year. During the evaluation process the experts of The Banker look at financial results, growth rates and performance indicators as well as the role the banks play in the local economy and the innovative, new or cost-efficient technologies they employ.

→ European Business Awards – National Champion

The K&H Group received the European Business Award for “Customer Focus” in Hungary. 24,000 companies from 33 European countries entered the competition. K&H won the recognition for its client-focused strategy and its financial products and professional services provided for its clients.

→ Superbrands

The Superbrands program was launched in Hungary in 2004, recognizing brands that achieve outstanding success and ensure the sustainability of these exceptional results. K&H Bank earned the Superbrands award for the fourth time in 2014: this mark of excellence went to K&H Bank in 2005, to the K&H Group in 2007, and to K&H Bank’s SME and corporate banking divisions in 2013.

→ MasterCard – Banker of the Year 2014

The MasterCard organized its “Bank of the Year” contest for commercial banks present in Hungary for the ninth time in 2014. The professional jury announced winners in eight categories, while the financial institutions’ top managers selected the winner of the “MasterCard – Banker of the Year 2014” award by secret vote. As a result of the vote, the “Banker of the Year 2014” title went to K&H Bank CEO Hendrik Scheerlinck. This was the second time that Mr. Scheerlinck won the “MasterCard – Banker of the Year” title.

→ Family Friendly Workplace

K&H Bank received a state recognition in the Family Friendly Workplace program launched by the Government. The Family Friendly Workplace 2014 title, which is given to companies that help create a work-life balance, was awarded to K&H for the measures implemented so far.



→ Family Friendly Company

K&H received the Family Friendly Company 2014 Special Award of the Three Princes, Three Princesses Movement in the category of large companies. The reasons for the award noted that the Bank had made exceptional efforts to create family-friendly working conditions. Among the many family-friendly measures taken by K&H, the most important ones are the elements of its benefits policy – such as the one-off allowance granted at childbirth, the comprehensive social assistance system, or several elements of the cafeteria system, the possibility of flexible working hours or the K&H welcome back program, which helps the return of young mothers to work. A particularly notable achievement is the family-friendly office that operates in the head office building and makes work possible for colleagues who cannot find any other way to leave their children under supervision.

→ Bicycle Friendly Workplace

The Ministry for National Development, in cooperation with the Cycling Hungary Alliance, announced the Bicycle Friendly Workplace award program for the eighth time in 2014, trying to encourage businesses to make cycling a more attractive means of transport by creating the required infrastructure and actively shaping attitudes. The distinguished Bicycle Friendly Workplace title was awarded to a total of 39 workplaces in 2014. K&H received the title as the only financial institution in 2014 for its developments – e.g. bicycle parking, shower facilities – and measures designed to make it easier for employees to ride their bicycles to work.

→ Golden World Award

The K&H MediMagic storytelling doctor program was the only Hungarian winner at the 2014 International Public Relations Association (IPRA) Golden World Awards. For 24 years the Golden World Awards have been given to the most excellent public relations programs that set an example even by global standards. The 2014 contest attracted 415 entries in total from all over the world; in the healthcare category 9 programs were shortlisted, with the K&H MediMagic story-telling doctor program emerging as the winner.

→ CSR Best Practice

The K&H Group's corporate social responsibility activities received a prestigious accolade: the Bank is one of the 6 companies that won the CSR Best Practice 2014 award of the Hungarian Public Relations Association. The reasons for the award state that the K&H Group's responsible thinking is exemplary among Hungarian companies as it includes useful, workable practices, one of the most notable of which is the K&H MediMagic program, which moves the whole society.

→ Imre Sándor PR Grand Prize

The K&H "Ready, Steady, Money!" financial contest organized for elementary school students earned the K&H Group the Imre Sándor PR Grand Prize in the communication campaign category in the competition of the Hungarian Public Relations Association. The competition, which was organized for the third time this year, recognizes the best agency and corporate brand management projects and campaigns. The professional jury assessed the entries against several criteria, always paying particular attention to the selected strategy, its practical implementation, and the use and quality of communication tools.

→ EFFIE

The K&H Group won a bronze award with its June 2013 personal loan campaign at the 2014 EFFIE advertising efficiency competition, the Oscars of the Hungarian marketing communications profession. The EFFIE award, which dates back 13 years, is one of the most outstanding recognitions in the advertising and communications industry worldwide, the only professional contest that evaluates creativity together with the successful realization of business, marketing and advertising goals. The 2014 recognition is the ninth EFFIE award for the K&H Group.

