

# CIB Group Sustainability Report 2010



# Our values



## Integrity

We pursue our goals honestly fairly and responsibly, in full compliance with the statutory provisions, professional standards and the signed conventions and contracts.



## Excellence

Our objective is continuous improvement, farsightedness, the effective anticipation of challenges, creativity that serves innovation and that extends to all fields of our endeavours, as well as the recognition and rewarding of merit.



## Transparency

We are committed to ensuring that transparency serves as the basis for our activities, our marketing communication and contracts, so as to enable all our stakeholders to make independent and informed decisions.



## Respect for local characteristics and differences

We seek to achieve the appropriate balance between the global nature of our operation and the special requirements of the local market and, while maintaining a broad vision, to never lose sight of these.



## Equal treatment

We are committed to eliminating all forms of discrimination, and to respecting differences in gender, age, race, religion, political and trade union alignment, and differences in language, and to respecting the rights of those with disabilities.



## Individual qualities

The value of every single person serves as a guide for our *modus operandi*: we use listening and dialogue as tools for continuously improving our relationships with all our stakeholders.



## Responsible use of resources

We aim to use all our resources sparingly. In this regard we promote conduct that is based on the best use of resources and on the avoidance of waste and ostentation. We give priority to solutions that have been designed with sustainability in mind.

# Key performance indicators of the CIB Group

	2008	2009	2010
Number of customers	727 110	720 851 <sup>1</sup>	717 247
Number of our employees	3 657 persons	3 279 persons	3 091 persons
Percentage of female employees	66%	66%	66%
CO <sub>2</sub> emissions from energy consumption per employee	3.24 tonnes	3.18 tonnes	2.31 tonnes
Energy consumption per employee	35.7 GJ	30.44 GJ	19.79 GJ
Total waste generated	29 688 kg	63 682 kg	66 548 kg
Amount allocated and paid in support of public-benefit organisations (CIB Foundation)	HUF 62.6 million	HUF 51.7 million	HUF 34.6 million
Total economic value distributed	HUF 85.029 billion	HUF 50.636 billion	HUF 31.768 billion
Percentage of domestic suppliers	98.17%	98.11%	97.75%
Number of trade union members	355 persons	311 persons	323 persons

As of 31 December.

<sup>1</sup> Adjusted in 2010.

# Our most important commitments for 2010 and their fulfilment

The commitments listed below are described in detail in the sections presenting our individual stakeholder groups.

- ● ● ● Implemented and closed
- ● ● ● Largely implemented successfully, but not yet closed
- ● ● ● Partially implemented and in progress or actually closed
- ● ● ● Implementation has begun
- ● ● ● Implementation has not begun

COMMITMENT	FULFILMENT STATUS
<b>Corporate governance</b>	
Elaboration of a new, three-year CSR strategy	● ● ● ●
• No decision has been made to the effect that the CSR strategy be redefined.	● ● ● ●
Further improvement of group-level governance (corporate governance)	● ● ● ●
• The bank group's governance functions are operating with increasing efficiency, making use of central resources.	● ● ● ●
Incorporating sustainability considerations into the credit policy	● ● ● ●
• Significant work has begun on revising our risk management practice.	● ● ● ●
Further improvement of the new organisational model	● ● ● ●
• We have in large part succeeded in establishing an organisation that is in line with the principles set out in the strategic plan, and in reorganising the various tasks.	● ● ● ●
<b>For our employees</b>	
Raising employee satisfaction	● ● ● ●
• Building on the results of the employee climate survey, the bank took a number of steps, the success of which was confirmed by the survey held at the end of 2010.	● ● ● ●
Elaboration of a CIB nursery school program	● ● ● ●
• The concept has been drawn up and implementation is expected to take place in 2011.	● ● ● ●
Introduction of a new employee incentive and remuneration system	● ● ● ●
• The system is operating successfully.	● ● ● ●
Introduction of an employee suggestions scheme	● ● ● ●
• The system is operating successfully.	● ● ● ●
Maintenance of existing social benefits	● ● ● ●
• In spite of the crisis, in keeping with HR objectives, in 2010 the bank provided employees with the same social benefits as in 2009.	● ● ● ●
Increase in the number of employee training courses	● ● ● ●
• The number of training hours, as well as the number of employees participating in training, grew at the rate of previous years.	● ● ● ●
Introduction of international, intra-group sporting events and leisure programs	● ● ● ●
• With the assistance of our parent bank, we introduced a large number of new programs.	● ● ● ●
<b>For our customers</b>	
Further steps to alleviate the impacts of the crisis	● ● ● ●
Barrier-free conversion of additional branches	● ● ● ●
• The barrier-free conversion of branches is progressing in keeping with the renovation schedule.	● ● ● ●
Installation of bicycle racks	● ● ● ●
• The bank has installed bicycle racks at five branches.	● ● ● ●
Creation of children's areas in more branches	● ● ● ●
• Some 10% of the branches now have children's areas.	● ● ● ●

#### For our suppliers

##### Procurement policy

- The bank approved the new procurement policy.



##### Integration of sustainability and ethical considerations into the supplier selection process

- We incorporated ethical procurement principles into our procurement policy.



#### Community relations

##### Review of the CIB Foundation's operation

- The Board of Trustees resolved to introduce a new tendering and administration system.



##### Determination of new directions for donation and sponsorship

- The CIB Foundation's new directions for donation and sponsorship from 2010: children's health protection / social integration / protection of cultural heritage.



##### Establishment of a new tendering system

- In autumn 2010 the "We Can Do" system for tendering support applications was introduced.



##### Holding of a voluntary-work day

- The CIB Voluntary Work Day was held at the Bátor Tábor (Camp of Courage).



##### Holding of charitable events, exhibitions

- We held an exhibition and fitted out a gallery in our head office in Medve utca.



#### For our environment

##### Introduction of a CIB bike-sharing scheme to promote environmentally friendly travel between our main offices in the capital

- The system was launched, with eight bicycles.



##### Elaboration of workplace and bespoke travel plans

- Bespoke travel plans were not drawn up, for supplier-related reasons.



##### Expanding the scope of selective waste disposal

- The project was launched at the small office building in Medve utca.



# Our commitments for 2011

## COMMITMENT

### Corporate governance

- Continuation of simplification and rationalisation steps
- Comprehensive review of the Lending Framework System

### For our employees

- Strengthening of employee engagement
- Launch of initiatives to strengthen employee commitment
- Raising of employee satisfaction
- Further increase in the number of training courses

### For our customers

- Launch of new products
- Simplification of the product range
- Engagement of our customers

### For our suppliers

- Further incorporation of sustainability and ethical consideration into the supplier selection process
- Introduction of prequalification and post-performance rating system
- Development of a suppliers' portal

### Community relations

- Forging of new strategic partnerships
- Launch of local community initiatives
- Stepping up of efforts to protect cultural heritage
- Strengthening of dialogue
- Holding of a voluntary-work day
- Holding of charitable events, exhibitions

### For our environment

- Launch of an energy project
- Further communication of our environmentally-aware operation
- Expanding the scope of selective waste disposal

# Message from the Chairman



2010 was an extremely tough year for everyone. The global economic crisis had a continuous severe impact on the entire financial sector, and placed an exceptional burden on our clients. We had to work together to overcome countless obstacles, a process that often demanded painful choices. Yet the crisis has brought with it a unique opportunity: the chance to hold a fundamental review of our operations to date.

The top priority over the past year has been to reduce the many and complex negative impacts of the crisis. While doing this we did not, however, neglect our long-term goals, as we forged ahead with programs designed to bring about more responsible and sustainable operations within the bank.

Our mission is to become the bank of choice for highly discerning retail and business customers, differentiated by its outstanding quality of service. We have to work hard to retain staff and develop their skills and potential through the application of transparent and performance-based HR management principles, while focusing more sharply on protecting the added value - reflected in our bottom line - that we create.

For us, becoming the "bank of choice" for our clients means being the first service provider that comes to the customer's mind when a financial need arises. The mainstay of this is trust. In turn, delivering genuine value means that we must be capable of achieving sustainable growth, as a fundamental principle underpinning our market presence. This involves

maintaining a high level of risk awareness and reinforcing our sense of responsibility towards customers, and also entails the development and enhancement of our risk management capabilities. Our strategic objective for 2012 is to evolve into a well-differentiated, leading retail bank with strong micro-enterprise and SME divisions.

This, the CIB Group's fifth sustainability report has been compiled in accordance with international guidelines. The report this year reflects a long-term, strategic approach, the basis for which is a harmonious balance between our business operations and long-term sustainability. When compiling our Report, we applied the new set of criteria of the previous year: we included a section detailing our responses to the crisis, followed by a description of the long-term initiatives we have launched, and our model for responsible corporate governance. The report is rounded off with an annex containing various charts, tables and supplementary information, for reference purposes.

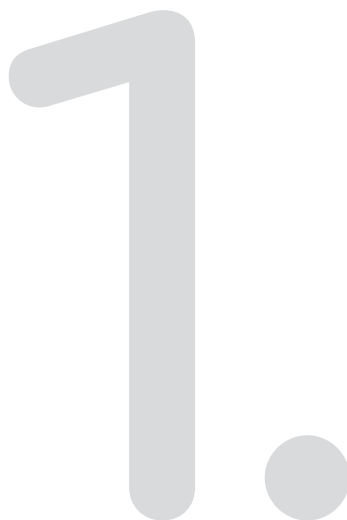
Please read through the report carefully, and share with us any thoughts and comments that you might have, so that by taking them into consideration we can perform even better in the year ahead, to the satisfaction and benefit of all our stakeholders.

Dr. György Surányi  
Chairman

# Table of contents

Our values . . . . .	2
Key performance indicators of the CIB Group . . . . .	3
Our most important commitments for 2010 and their fulfilment . . . . .	4
Our commitments for 2011 . . . . .	6
Message from the Chairman . . . . .	7
1. No let up in the effects of the financial and economic crisis in 2010 . . . . .	9
1.1. CIB's business results and objectives . . . . .	10
1.2. The impact of the crisis on customers . . . . .	12
2. Long-term programs . . . . .	15
2.1. Customers . . . . .	16
2.2. Employees . . . . .	18
2.3. Suppliers . . . . .	22
2.4. Our social impacts . . . . .	23
2.5. Managing our environmental impacts in 2010 . . . . .	27
3. Corporate governance . . . . .	31
3.1. Organisational structure . . . . .	32
3.2. Decision-making bodies . . . . .	33
3.3. Selection and evaluation of managers . . . . .	34
3.4. Promoting ethically sound and responsible operation . . . . .	34
3.5. CSR management and communication . . . . .	38
4. Annexes . . . . .	40
4.1. CIB Bank – core data . . . . .	41
4.2. Branch Network . . . . .	42
4.3. CIB Bank in figures . . . . .	43
4.4. Awards and accolades . . . . .	49
4.5. Compliance with the principles of the UN Global Compact . . . . .	50
GRI Index . . . . .	52
About this report . . . . .	57
Imprint . . . . .	58





## No let up in the effects of the financial and economic crisis in 2010

**A**s in 2009, in the 2010 financial year events continued to be fundamentally shaped by the consequences of the financial and economic crisis. Last year the economic policy of the government that was formed following the parliamentary and local elections, which differed starkly from the economic policy of the previous government, had a considerable impact on the financial sector, and the introduction of a special tax on banks had a dramatic effect on financial institutions, including CIB Bank.

### 1.1. CIB's business results and objectives

In order to assure long-term sustainable growth, CIB Bank and its subsidiaries (hereinafter: the group or bank group) has launched a transformation and restructuring drive in response to the altered environment in which it is operating. This shift in organisational and operational focus has two primary aspects to it. Firstly, CIB has introduced a group-based organisational approach: to boost operational efficiency and to take full advantage of internal synergies, it has integrated the group's support functions. Meanwhile it intends to introduce a segment-based business model in order to best meet the needs of its customers. CIB is constantly requesting and monitoring direct feedback from its customers, and is introducing innovative solutions to improve the quality of its services. In line with these objectives, the group approved a new three-year business strategy in April of 2010, which, based on a decision of the shareholders, will be reviewed in light of the latest market trends.

The direction set by CIB's strategy and mid-term plans is ensuring that customers choose the CIB Group as their service provider, as it offers the best overall value proposition in the market. This value proposition will be based on optimally priced services, accessibility and ease-of-use of products, consistently transparent pricing, and effective differentiation from the value propositions of competitors. Accordingly, the group has launched an Operational Excellence program to make its internal processes simpler and more efficient and to improve service quality. This will enable the CIB Group to respond to the needs of the market with high-quality and reliable services. The group seeks to generate sustainable growth by providing real value to its customers, and this key principle will drive the bank's market conduct going forward.

In accordance with the newly adopted strategy, CIB Bank is targeting two major areas of business in 2011: retail and SME. A critical focus in the years to come will be on energizing commercial activity in order to secure the bank's future revenues and defend its market position. CIB will place particular emphasis on further development of its retail business, and accordingly, the bank aims to become the primary retail bank for its customers. This goes hand in hand with the ability to further improve deposit collection activity and the sale of exceptional-quality asset management services. On the lending side, the bank's aim is to achieve a top position in the market for primary residential mortgage products, and to develop mortgage products that will stimulate home improvements. CIB Bank also launched, and continues to develop, its own bank assurance franchise system, which is enabling it to diversify its service portfolio by adding a full range of insurance products.

The second priority in CIB's mid-term strategy lies in the further development of its proposition towards the SME and Micro enterprise sectors. As a start, CIB has developed a dedicated SME network in its main branches through which the bank wishes to further promote its complex banking and lending services. The ultimate goal in this segment is the financing of the real economy, with the focus placed squarely on supporting the manufacturing and service sectors through clearly defined goals. Apart from corporate loans and leasing services, CIB Bank offers other methods of financing to companies, e.g. through its factoring line. CIB Factor has dedicated services for small, medium and large companies, as well as for municipalities and other domestic institutions.

While the above sectors are currently its main areas of focus, CIB has set new goals to maintain the performance of its large corporate business. During the coming years, CIB will leverage the synergies inherent in its ownership by Intesa Sanpaolo, thereby strengthening its presence in the multinational sector. The main objective is to develop a uniform and thus transparent and cost-effective service structure. Consequently, CIB is one of the first banks in Hungary to have implemented, together with its parent Intesa Sanpaolo, a financial value-chain project, aimed at improving its capabilities at serving multinational companies in the areas of cash management and trade finance. Beyond these objectives, boosting the effectiveness of customer relationship management and deepening cross-selling activities are also a priority.

To help assure the quality of the bank group's loan portfolio, the Group has established a special workout group, which ensures the bank group's ability to achieve the best rate of recovery on its non-performing loans. Having set up the new workout group, CIB aims to further develop its workout processes and capabilities that will help maintain a healthy balance between growth and sustainable, predictable loss rates in order to effectively manage the overall stability of the institution. In the next three years the bank will need to provide still more resources to the workout department to ensure its ability to manage the Group's non-performing loan and asset portfolio.

The CIB Group did not receive any form of government funding in 2010 (as was the case in the previous years).

The operations of the CIB Group in 2010 were significantly impacted by the ongoing global economic crisis, the extraordinary bank tax on the financial sector, the downgrade of Hungary's debt rating and the high level of credit risk. As a consequence of the lower-volume business activity compared to previous years, the volume of retail loans and transactions

fell, which was accompanied by a corresponding decline in revenues. As an additional effect of the recession, the quality of the loan portfolio deteriorated further, leading to significant impairment. The introduction of the special bank tax in Hungary resulted in a sharp decline in the consolidated profit of the bank group. To mitigate the effects of the crisis, CIB focused on (prudent) credit risk management, portfolio monitoring and cost optimisation in 2010.

By December of 2010 the CIB Group's total assets amounted to HUF 2 495 billion (-9.5%). The lower balance sheet total was primarily the consequence of the decline in customer loans and the ongoing repayment of parent company funding.

At the end of 2010 the CIB Group's consolidated gross loan portfolio was HUF 2 338 billion (-4.4%). Within the total portfolio the proportion of retail loans (mortgage, car financing and others) improved, and reached 27% (+1.6%) by the end of the year, while real estate financing made up barely 20% of the portfolio (-6.3%). The share of large corporate and SME loans also decreased slightly during the year. Demand for new financing was low throughout the entire period, with new disbursements falling by 49% and loan financing by 52.1% compared to the same period of 2009, when the crisis was already significantly impacting the financial markets.

In line with developments that occurred in the Hungarian banking market in the recent period, the credit quality of the CIB Group's loan portfolio deteriorated. The share of non-performing loans within the total customer loan portfolio continued to increase. The most notable increase in non-performing loans occurred in the real estate sector. Within this segment the most significant deterioration took place in hotels, shopping malls and land financing. The loan quality of the retail portfolio was more stable; however, the proportion of loans overdue for more than 90 days rose by 4.0 percentage points compared to December 2009, and by the end of December 2010 this had reached 13.4%. CIB set aside provisions of HUF 83 billion this year to cover potential losses from non-performing loans. In the meantime the group placed a major emphasis on providing assistance to those of its customers in all segments who were experiencing temporary difficulties in servicing their loans, by offering proactive alternatives for the restructuring of existing loans.

Total customer liabilities, including the portfolio managed by the fund managers, amounted to HUF 1 722 billion by the end of 2010 (-7.5%). There was a significant difference in the development of customer deposits and the change in the volume of assets managed in our funds: while customer deposits totalled HUF 1 477 billion (-9.0 at the end of the

year. Retail deposits (including issued bonds and investment funds) amounted to HUF 882 billion at the end of 2010, and their share within total retail liabilities increased to 60%.

As a result of the losses made in 2010, the CIB Group's total shareholders' equity decreased by HUF 24 billion to HUF 241 billion, despite the fact that the group's capital adequacy ratio came to 9.8% at the end of 2010.

The group closed 2010 with a loss of HUF 23.5 billion, representing a HUF 28.1 billion decline relative to the previous year's profit. This was the result of the fall in net banking income, the consistently prudent provisioning applied for mitigating the risk associated with non-performing assets, and the significant impact of the special bank tax.

#### **Distribution of income from a stakeholder's perspective**

**In terms of sustainable growth we use an approach that sheds light on what sort of income movement (income transfer) takes place between the various participants – customers, suppliers, employees, shareholders, the state, the third sector – of the economic arena that includes the CIB Group, as a consequence of the company's economic activity.** The data pertaining to the generation and distribution of economic value reveal how the organisation creates benefits for its stakeholders. The total gross economic value generated is the difference between the total value generated (revenues) and the cost of goods purchased and services used (consumption). We performed the calculation of this using the methodology applied by Intesa Sanpaolo. More information on the Bank's business results can be found in the 2010 Business Report and the Annual Financial Report that contains it. A breakdown of the direct economic value generated and distributed is given in the following table.

The 2010 data reflects the protracted difficulties faced by the Hungarian economy, and the impact of the substantially altered tax regime. Last year was closed with a negative result, and there was no dividend payment. This was also the case in the previous years, which were closed with a positive result. Another change with major implications last year was the introduction of what is referred to as the bank tax, which substantially increased our payment obligation towards the state.

**Economic value generated and distributed (HUF billion)**

	2008	2009	2010
Total value generated (A)	269.148	270.125	212.354
Total consumption (B)	184.562	219.448	180.758
Gross value added from core business activity (A-B=C)	84.586	50.677	31.597
Revenue from the sale of fixed assets (D)	0.443	0.041	0.172
<b>Total economic value generated (C+D=E)</b>	<b>85.029</b>	<b>50.636</b>	<b>31.768</b>

	2008	2009	2010
Owners (dividend)	0	0	0
Employees (wage payments)	34.614	30.356	27.966
State (direct and indirect taxes)	14.193	7.342	18.481
Third sector (donations and contributions)	0.564	0.869	0.844
Corporate sector (profit reserve and depreciation)	35.657	12.069	-15.523
<b>Total economic value distributed</b>	<b>85.029</b>	<b>50.636</b>	<b>31.768</b>

**CIB Group, consolidated data, based on International Financial Reporting Standards (IFRS)**

HUF billion	31 December 2009 (corrected)	31 December 2010
Balance sheet total	2 757.2	2 494.9
Deposits from customers	1 560.1	1 367.7
Loans to customers (gross)	2 446.4	2 337.8
Net profit or loss	143.0	135.2
Operating costs (excluding bank tax)	61.2	59.2
Bank tax	-	13.1
Impairment and provisioning	71.3	83.0
Profit after tax	4.7	-23.5

**1.2. The impact of the crisis on customers**

The impacts of the crisis did not diminish in 2010. This tended to be true for both retail and corporate customers. Considerable strain continued to result from the weakening of the forint, which was accompanied by a substantial strengthening of the Swiss franc. This led to a significant increase in the repayment instalments on foreign currency-based loans, a situation that was further exacerbated by the sustained decline in property prices.

The CIB Group made concerted efforts to offer its stakeholders services that were sustainable even in the tough economic environment. In addition to this, the group expended considerable resources on assisting those of its loan customers who had run into difficulties. At the same time, it was necessary to face up to the fact that the number of defaulting loan customers had not fallen, and as a result the bank

was not only forced to set aside substantial provisions, but also to prioritise the strengthening of effective 'workout' activity that serves to protect the Bank's balance sheet. In a few cases involving corporate customers (typically in the real estate development and hotel sectors), these measures gave rise to considerable negative media coverage; however, we handled all these cases in a strictly impartial and legally grounded manner, at all times proceeding in the interests of protecting our customers and shareholders.

Among our retail customers, those in the most difficult situation continue to be those who, for some reason or other, are unable to continue repaying their loan as before. For these customers we have developed, and are effectively running, a program that aims to help customers who are struggling to weather the crisis, by rescheduling their loan repayments. Generally speaking, with regard to our retail customers, in 2010 we concentrated on the following:

- Alleviating the burdens placed on our customers by the crisis
- Strengthening financial skills and knowledge
- Strengthening the trust of deposit-holders
- Increasing the propensity to save
- Strengthening forint-based lending
- Maintaining closer customer relations

In 2010 the market continued to be characterised by significantly increased risks, defaults on loans by insolvent customers, and a decline in consumption and economic activity. Mitigating the negative impacts of the crisis is both in our own interests and that of our customers. Since we aim to forge long-term relationships based on trust, the basic principle that we continued to follow in 2010 was to use the means at our disposal to help customers who were in difficulty, through no fault of their own, to make it through the crisis. Concurrently with this, we introduced significant cost-cutting measures in order to make use of our efficiency reserves.

**Where corporate customers are concerned**, our experience to date has shown that **we have the best chance of finding a mutually beneficial solution in cases where contact is made quickly between the bank and the customer**. In order to achieve this – based on predetermined screening criteria – we continue to contact customers that are particularly “at risk”. **There are various opportunities available for alleviating difficult situations:**

- **rescheduling loan repayments**, by agreeing on lower monthly repayment instalments than before;
- **extending the grace period**, which allows repayment to begin later than specified in the original repayment schedule;
- **extending the term of the loan**, allowing the customer to spread the repayments over a longer period;
- **authorising a principal repayment holiday**, i.e. granting a period in which repayment of the capital part of the loan is suspended, and during which the customer only pays the interest on the loan (plus the costs);
- **researching and offering more favourable/less costly financing solutions** for customers (e.g. EU funds, refinanced options and state-backed guarantee schemes).

In addition to the above, customers may, in justified cases, be granted additional financing. If necessary, the range of collateral securing the loans, and the contract documentation and the terms and conditions, may also be amended. The fundamental goal is to ensure that the repayment instalments of the outstanding loan are commensurate with the customer’s actual ability to pay. Besides the recommendations listed above, we have attempted to find solutions to financing problems in the form of new and existing products.

We have introduced a number of new initiatives for our customers. Some of these were refinements of measures

previously implemented to mitigate the impacts of the crisis (Solution Loan, credit protection program, loan term extensions, temporary easing of loan repayments, conversion of foreign currency loans to forint, the handling of early repayment requests), while others took the form of brand new products and services. A few examples of steps taken by us in 2010:

• **Intesa Sanpaolo credit protection:** in the course of the year we successfully promoted our credit protection service, which was used by our credit card, mortgage loan and personal loan customers. The service relieves the customer of the burden of repayments upon the occurrence of certain, unforeseeable events. At the beginning of 2010 we adapted the product to suit the changed market requirements, and increased the period of cover from the previous 6 months to 12 months.

• **Restructuring:** In 2010, for a great many customers we succeeded in finding a solution that alleviated the immediate burden on customers in difficulty, by making changes to the instalments and the repayment period.

• **Giving priority to forint lending:** While a change in the statutory provisions led us to suspend foreign-currency mortgage lending, CIB was among the first to change its product range, adding a new product to its existing range of forint-based lending products, in response to the altered market conditions and customer requirements. The CIB FIX home loan is a forint-based loan with a three-year interest period, offering predictable and favourable repayment instalments.

• **Assisting in taking up loans:** In order to help our retail customers even more effectively than before in choosing a credit product that will also be appropriate for them over the long-term, we launched a number of new initiatives:

→ For customers struggling due to a substantial increase in their monthly repayment instalment or an unfavourable change in their circumstances, we have published a manual entitled “Solutions to Loan Repayment Difficulties”. The publication, which was distributed to customers in the branches, offers guidance in choosing between the various financial solutions that offer a temporary easing of their situation, whether in relation to property-backed loans or other forms of financing such as vehicle leasing arrangements.

→ We have completely redesigned the loan calculator available on our website ([www.cib.hu](http://www.cib.hu)), which now guides our customers through the initial stage of selecting a loan even more effectively, and comprehensibly, than before. The interactive retail account selector was also redesigned.

→ We introduced the “household budget calculator”, which provides customers with much assistance in working out the real costs of running their households. All of these tools help to gain an accurate picture, before taking out the loan, of how much credit they will be able to take on without putting their household budget under too much strain.

- **With regard to SME customers**, since 2010 not only those with loans, but also those for whom we just manage their accounts, have a dedicated relationship manager and even their own risk manager. We adopted a new approach to SME financing, shifting the emphasis towards a policy of "Partnership = financial advice". An important expectation that we have in respect of our business customers is that the company should be governed and managed by an owner who is committed to its operation over the long-term, and who is willing to cooperate with the bank and conduct operations transparently, so that together we can find the financing solution best suited to its needs. In order to achieve this, we have also improved the skills of our employees. Some 20% of our staff took part in "development centre" sessions, enabling us to draw up personalised training plans that address their genuine requirements. The launch of a modular training model is expected to take place in 2011, under which we will test the skills necessary for doing a particular job or holding a given position, e.g. communication, negotiation skills, persuasion and the constructive resolution of conflicts.
- **Liquidity of micro enterprises:** There are very few financing opportunities in the market for micro enterprises, which often come up against serious difficulties trying to secure the funds necessary for maintaining their liquidity. In 2010 CIB introduced a credit limit management system that is capable of effectively and quickly remedying this problem for these customers.
- **Customer satisfaction:** In 2010 we launched a special "Onboarding" program, with the aim of significantly raising customer satisfaction. The program is aimed at new customers, and is intended to minimise "customer churn" through the provision of personalised, up-to-date services. Concurrently, we added a customer satisfaction feedback system to the queue number dispensing terminals located in our branches. We will go into more detail regarding this solution later in the report.



## Long-term programs

**A**t the CIB Group, our efforts to achieve sustainability are based on a long-term commitment, and thus in 2010 we launched several new initiatives, as well as continuing our projects that were already under way. In the following sections we give an account of these initiatives, and our related practices, separately in relation to each of our most important stakeholder groups.

# 2.1.

## Customers

Besides taking steps to mitigate the impacts of the economic crisis, we focused particularly on ensuring that our customers receive a high-quality service. A part of this involved paying attention to their needs, providing appropriate and suitable information, listening to and investigating their comments and complaints, and maintaining two-way communication. It remains important for us to be able to offer products and services that are suited to the needs of disadvantaged groups within society, thus affording them easier access to banking services. We also believe we have a mission, through the targeted provision of services that can be accessed at preferential terms, to help our customers cultivate a responsible attitude towards money, and a greater willingness to save. (For supplementary data and tables related to the section below, see Annex 4.3.)

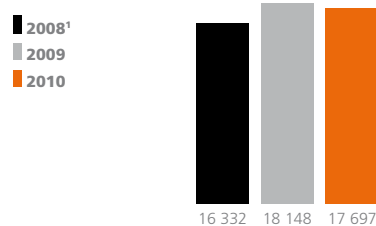
### Customer satisfaction and complaints management

Last year, the drive to increase customer satisfaction received perhaps an even more prominent role in the life of the bank than it had previously. As the economic crisis deepened, CIB recognised that with this unique, ongoing program, it could successfully set itself apart from its competitors. Drawing on feedback from customers, it can make improvements with the potential to further strengthen their satisfaction and loyalty. For this reason, internal support for the program is strengthening continually. As a part of the program, an evaluation of the customer satisfaction indicator was included in the performance assessment of every manager in 2010. We augmented the survey conducted among retail and SME customers with a survey of another customer group: active users of the CIB Internet Bank. We can now use the findings of this research to strengthen and develop our innovative banking channels (CIB Internet Bank, CIB Business Terminal). By the end of the year our "Listening 100%" customer satisfaction program was expanded with a new feature, as the paper-based questionnaires previously available in branches are being replaced with a more modern, interactive solution. The queue number ticket dispensing system used in the branches enables us to "gather", at the end of the branch visit, our customers' opinions regarding their banking experience on that day. This solution has the advantage of being customisable, so by asking questions that are specific to each

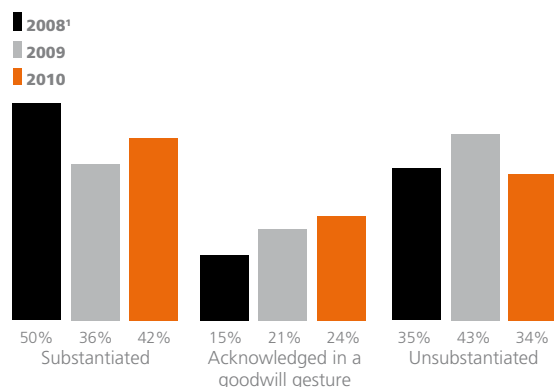
branch if necessary, targeted improvements can be proposed at the given branch, based on the feedback given by our customers as they manage their banking affairs.

Since 2010 we have been able to handle complaints received by the CIB Group in a standardised way, not only due to the identical complaints handling process applied throughout the group, but also through the standardisation of the support systems. As in previous years the number of complaints was high over the year as a whole, but the outcomes of the complaints, in terms of how they were judged, differed from 2009. The percentage of complaints that were acknowledged as a goodwill gesture rose, which reflects the CIB Group's constructive approach to dealing with customers in difficulties. The processing time for complaints handling deteriorated slightly (from an average of 7.92 to 8.83 days), due to the need to investigate and resolve more complex complaints. As always, we seek equitable, customer-centred solutions when investigating the complaints received by us, because we know that the positive effects of a satisfactory outcome will be clearly reflected in our customer satisfaction indicators.

### Number of complaints investigated by Complaints Management in the CIB Group



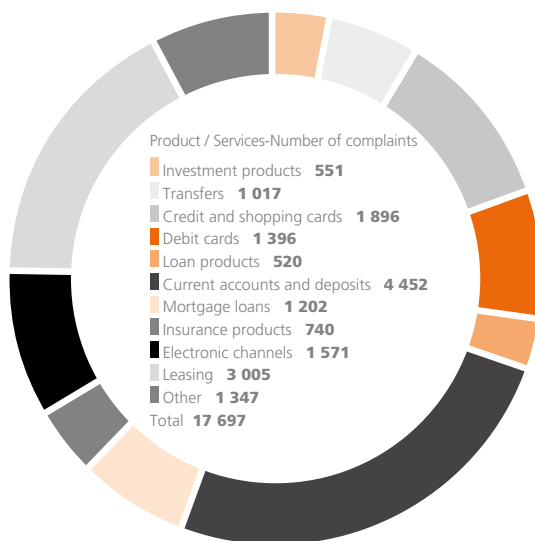
### Findings of investigations into complaints in 2010



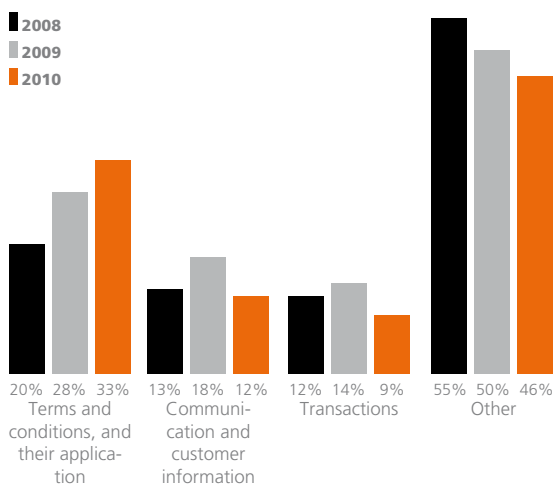
<sup>1</sup> Due to a data correction, we have modified the 2008 figure from 16 335 to 16 332.



### Complaints by type of service in 2010



### Complaints by type



With respect to abuses of personal data, a total of 11 complaints were received (in 2009: 21 complaints), a significant proportion of which resulted from problems related to customer identification.

#### Ensuring access to services

We take seriously our obligation to ensure that **everybody, including those of our customers who have disabilities affecting their movement, sight and hearing, or who are handicapped in other way, can gain equal access to our services. A part of this stems from fulfilment of our statutory obligations, while other initiatives are undertaken voluntarily.**

- On 31 December 2010 we had 145 branches, 88 of which were barrier-free. In 2010 the bank launched the procedure to obtain planning permission for

the barrier-free conversion of several branches. The main entrances to our central office buildings, and the bank branches housed within them, have also been made barrier-free.

- When installing new cash dispensers, instead of the formerly used S-shaped front panels, we now exclusively use ATMs that are fitted with flat, vertical front panels, making them easier for customers with physical disabilities to use. **At the end of 2010 we had 211 operational ATMs, of which a total of 180 (85%) had a flat front panel, while the remaining 30 are scheduled for conversion within the next 3-4 years.**
- By the end of 2010 the bank's branch network consisted of 145 units. All 221 of the ATMs in operation at the beginning of the year remained at the end of the year. By the end of 2010 we closed all 24 of the representative offices that were open at the end of 2009.
- We also placed particular emphasis on **keeping our online and e-banking services up to date**, which in 2010 we achieved as a part of the "customer experience" program already mentioned above. Also under this initiative we introduced the opportunity to request appointments online.
- By the end of 2010 **children's areas had been created in 17 of our branches**, making it easier for customers with small children to do their banking.

#### Products for customers with special requirements

- The CIB Group also offers services to individuals and legal entities with special requirements. In 2010 we continued to market our products and services developed to suit the specific requirements of youth and senior citizens, a campaign which we supported with special promotions. We offer special account products for retirees, people with large families, students, non-profit associations and apartment houses.
- For our environmentally-aware customers, in 2007 we launched the CIB Alternative Energy Fund, which matured in December 2010. The return on the fund is linked to the performance of the DAX Global Alternative Energy Index (DAXAEP), which tracks the performance of a basket of shares in the world's 15 largest renewable energy producers.

# 2.2.

## Employees

**Our objective remained unchanged in 2010: to create the conditions necessary for ensuring sustainable and excellent working conditions for each and every one of our employees. (For supplementary data and tables related to the section below, see Annex 4.3.)**

To achieve its long-term strategic objectives our bank group has allocated more of the resources freed up by the reorganising of human resources and the simplification of work processes than ever before towards the strengthening of the business and customer relations departments. Accordingly, the company's management decided to reduce the headcount of the bank's back-office staff by 250 persons, in order that it could significantly increase the number of employees dealing directly with business activity and customer relations. This reduction was implemented in full compliance with the provisions of the Labour Code, in several consecutive 30-day stages.

In relation to the headcount reduction, we developed a uniform set of selection criteria, and also put together an outplacement package for the employees affected. Within the framework of the EsErnyő ("Opportunity Umbrella") program, over and beyond the benefits prescribed by law we supported outgoing workers in finding work elsewhere: we held English language and IT training courses for them, as well as a two-day preparation course to assist them in finding new employment. We provided continuous individual counselling opportunities in our<sup>1</sup>. The bank withdrew the ban on re-employing formerly laid-off employees, and kept them updated regarding our open positions. We succeeded in providing new job opportunities for many of our employees.

- Our parent bank continued with the employee climate survey, which had been conducted for the first time in 2009. The purpose of this survey is to find out what our employees working in the various countries think about their work at the bank. In spring a working group was established whose task is to analyse the results of the survey and to draw up an action plan aimed at improving the general satisfaction of the employees.
- As an important initial task in this process, we have begun to overhaul the incentive system. As a part of this, we have (in accordance with the latest guidelines of the HFSA and

the EU), we have revised the pay structure of Group Legal Services, Group Compliance and the Internal Audit department, and we have created a new variable-pay system.

- Taking advantage of the opportunities presented by the SAP system, we began to introduce the Employee Self-Service (ESS) system. ESS greatly simplifies and speeds up personnel administration, and offers a new channel for communication between the employer and the employee.
- Due to the bank tax introduced in 2010 and to the consequences of the protracted economic crisis, there was no general pay increase in 2010. However, at the end of 2010 the bank's management decided to raise the salaries of those who had suffered a fall in their net pay due to changes in the personal income tax laws, by enough to compensate for the reduction that resulted from the tax changes.
- Based on a decision made by the management at the end of 2009, with effect from 2010 **the value of fringe benefits offered to full-time employees under the Cafeteria system has risen from HUF 15 000 to HUF 17 500 a month**, and the Bank group has also agreed to cover the amount of the personal income tax payable on this. Part-time employees are entitled to receive cafeteria benefits proportionately to their working hours, while agency staff become eligible for fringe benefits under the system once they have been in a working relationship with us for more than a year.

**Our general benefits package continues to be made up of the following elements:**

- **Mandatory:** occupational health services, reimbursement of travel expenses, CIB Voluntary Pension Plan, prescription spectacles.
- **Provided voluntarily:** cafeteria system, CIB Voluntary Pension Plan, preferential banking services and discounted bank cards, staff loans, staff lease-financing plans, group personal insurance. Besides these, we continue to offer, as optional benefits, a family mobile telephony plan and the use of holiday facilities in Hungary and abroad.

Our temporary or part-time employees are also entitled to all of the above benefits, with the proviso that quantifiable benefits are granted proportionately to the number of hours worked. All our employees are only eligible to receive benefits under the cafeteria system, and the employer's contributions to the Voluntary Pension Plan, upon expiry of the three-month trial period; and certain preferential staff loans are only available after one or two years of employment.

- Participation in all the periodical vocational and professional aptitude and fitness tests **prescribed by law** naturally continued to be compulsory for all of our staff in 2010.
- Managers above a certain level once again had the opportunity to attend an **annual "mini executive health**

<sup>1</sup> Support Centre.

**screening**" in 2010. The **screening tasks** continue to be performed by the Oxyvit medical group, which has provided occupational health services since 1994 and today has a countrywide network. The service package primarily offers assistance in the prevention and early diagnosis of cardiovascular and malignant diseases. The team screens for the risk factors associated with diseases, actively assisting in the development of a healthy lifestyle – advising on the appropriate diet and program of exercise – or, if necessary, in deciding on the most appropriate course of treatment.

- Since 2007 we have provided all our employees – through our partner insurance companies – with basic **life, accident and illness insurance cover**, which can be supplemented according to individual requirements.

#### "We are Intesa Sanpaolo Group"

In 2010, our international banking group continued the **"We are Intesa Sanpaolo Group"** programs, established with the aim of ensuring unified internal communications and a consistent corporate culture.

- **Vacation opportunities:** The CIB Banking Group offers its employees, and, in certain cases, their family members, discounted holidaying opportunities at destinations both in Hungary and abroad. With the help of our parent bank, 30 children again enjoyed a trip to Follonica, Italy, while many families spent their summer holidays in Magione and Alassio in 2010.
- **International sporting events:** Last year the opportunity arose for employees of Intesa Sanpaolo member banks to compete with each other in a variety sports. In 2010 not only our employees, but their children as well had an opportunity to take part in sporting events, such as the children's day held in Belgrade in May. In September, the parent company organised a three-day football, volleyball and basketball tournament in Belgrade (in which three CIB teams, totalling 35 people, took part), and, thanks to Intesa Sanpaolo, in the winter we also had the opportunity to enter the European Banks Skiing Competition.
- **Secondary school exchange program:** AFS Intercultura is an international exchange program for secondary school students, which enables young people to spend an academic year living with a family in a foreign country. With the support of our parent bank, the child of one of our employees secured a place on the program, spending an entire year in Italy.

#### Training courses

We again placed considerable emphasis on the training of our staff, and on the development of their knowledge and personal skills. The average number of hours of training per employee grew from 48 to 57 hours, which means that each employee received an average of seven days per year.

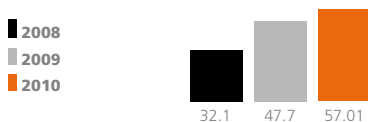
- Our parent bank launched the Leadership Development Program in March 2010, with the participation of first and second line managers. The program is scheduled to continue until the second quarter of 2011. It includes three different modules: Leadership Lab, Coaching for first line managers and Complexity Management for second line managers, and Leading in a Matrix. There are currently a total of 75 managers from the CIB Group participating in the program.
- We held management training courses on various management topics, with 100 of our employees taking part.
- CIB was the first member of the Intesa Sanpaolo Group to introduce the Onboarding Program. The objective of the program is to ensure that customers, from the very moment that they become our customers, are assured of a customer experience that paves the way for a long-term, active relationship. In preparation for the program, which was launched in March 2010, we trained 170 employees (31 branches) in the most important elements of the program. In the second half of the year we involved more branches, another 200 of our employees, in the training and in the program itself.
- More than 200 of our employees participated in a two-week retail branch orientation program for new staff.
- More than 1,600 people attended a series of training courses in the Bank group's new lending processes.
- In the SME Division, besides training staff in the corporate lending process, we held systems training courses and held electronic examinations in skills related to Treasury products. In addition to these, in 2010 the corporate staff orientation program was also overhauled and made available to employees of the SME Division. This training program consists of two parts, and provides new employees with the skills and knowledge they need over a period of two weeks.
- Employees of the Leasing Division participated in training to develop their bank-related professional skills, in order to support the integration of leasing into the bank.
- We supported the insurance project not only by preparing staff to take the authority examination, but also by holding a series of product training and insurance selling courses.
- Some 400 senior employees attended CIB's annual professional meeting. The purpose of the two-day event was to introduce the bank's new strategy. This was followed by 15 smaller 'off-site' events, where the various departments of the bank analysed the parts of the strategy that are relevant to them, and determined the objectives to be achieved.
- Our bank's chairman, Dr. György Surányi held a presentation, which attracted a very large audience, on the financial crisis and its implications for Hungary and the region.
- In 2010 almost 450 people attended the English language courses supported by the Bank group. Several members of senior management had an opportunity to receive one-on-

one language coaching, while the rest of the staff could improve their English in semester-based or intensive language courses, held in small classes, around the country.

- More than 200 people took part in a series of personal training courses related to the integration of securities trading systems.

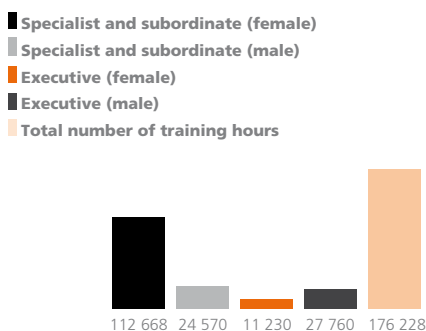
Besides the training sessions and courses listed above, CIB Group employees participated in distance learning courses and took electronic examinations in the prevention of money laundering, conflicts of interest and security awareness, via the e-learning (MultiLearn) interface. Last year employees successfully passed 36 400 exams (29 644 in 2009) via this channel.

### Annual average number of training hours per employee

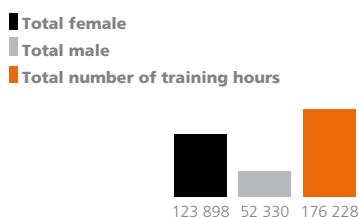


Based on headcount at close of 31 December.

### Number of training hours broken down by professional status in 2010<sup>1</sup>



### Number of training hours by gender in 2010



### Employee engagement

- In December 2009, we conducted an **internal employee climate survey**, with questionnaires completed by staff at all the member banks of the Intesa Sanpaolo Group. We provided our employees with detailed feedback on the results over the course of 2010, and based on the findings the bank's management took decisions regarding the launch of various programs:

→ The **"Simply Better!" program** launched in 2010 is a competition held to support the implementation of ideas underpinned by the high level of professional knowledge and experience amassed by our employees. The most important objective of the ideas competition is – with the incentive of a cash reward – to encourage employees to develop proposals related to the processes that they believe are in need of development or improvement, which will result in changes that are constructive and – especially importantly – measurable, and will further improve customer satisfaction and cost-effectiveness. Under the scheme preference is given to implementing ideas that have been drawn up by a team of several employees rather than a single individual, so it is necessary for several departments to cooperate in its development.

→ Good things happen every day, some small some big, you just have to notice them. Some colleagues support us, sometimes just by listening to what you say, understanding our problems and helping to solve them. Sometimes, however, people act in ways that could serve as an example, either in terms of cooperation or precise and accurate work. To make sure that, whether large or small, the resulting good feelings and positive experiences don't pass unnoticed, we introduced the **Thank You Card**, which was issued to every one of our employees, to be passed on to another colleague as a sign of their appreciation. Employees actually received two cards: one for recognising cooperation, and the other for rating excellent work. At the end of the year, the 15 employees who had received the most cards received a special prize: a trip for two to Milan.

→ In 2010 we also overhauled the **employee awards system**, giving managers a far wider range of opportunities for recognising the performance of employees.

→ In 2010 we made the necessary preparations, and in 2011 launched the **CIB Club**, which is a series of informal events that we hold on the last Friday of every month, with the venue a different pub in Budapest each time. The purpose of establishing the **CIB Club** was to create an opportunity for get-togethers that promote a strong sense of belonging among our staff, in a location and surroundings that differ markedly from the corporate environment.

- Concurrently with this we continued our existing programs, such as the CIB Volunteering Day at the Bátor Tábor (Camp of Courage) in the town of Hatvan, in which around 100 of our employees participated in 2010. Details of this and our other efforts to engage staff in the interests of strengthening our social relations are given in the section on our community relations.

<sup>1</sup> Does not include training performed in the school system and training provided in distance learning courses.

**Employee representation**

A trade union and Staff Council operate within CIB Bank. The number of trade union members was 323 at the end of December (in 2009: 311; in 2008: 355). The Staff Council hold regular meetings to discuss, with the chief executive, its position on issues affecting employees. It also actively participates in the internal communication related to these issues. Representatives of the Staff Council and the trade union make up the Social Committee, which has the task of managing certain forms of social support provided to employees. The Staff Council delegates two members of the bank's Supervisory Committee.

**Equal opportunities and positive discrimination**

The CIB Group ensures equal treatment for its existing and future employees in accordance with the Constitution of Hungary, the effective statutory provisions and the bank group's Code of Ethics.

We offer our employees the opportunity to apply for internally advertised positions (both at CIB and in the international group), and publish the relevant information on the Intranet. Recently the bank group has been forced to carry out a staff downsizing. In connection with this, it was decided that the downsizing should not affect any employee whose spouse or domestic partner working at CIB had already been laid off, or who is a single parent, a member of an ethnic minority or a person living with a disability.

## 2.3.

# Suppliers

The key principle when choosing suppliers is to display **fairness and transparency in the selection process**. In the CIB Group's procurement processes:

- we operate a supplier selection system that **ensures transparency and a level playing field**;
- we provide consistent and favourable payment terms to suppliers;
- in the course of our HR-related tenders we carry out checks to ensure that the personnel used by our service providers **are employed legally**;
- in certain of our contracts, we stipulate that in the course of fulfilling their obligations suppliers are **obliged to use environmentally friendly technology**, products and materials, and make efforts to recycle the waste that is generated.

In 2010 we completed the review of our procurement guidelines, which fully comply with our parent bank's requirements applicable to the international subsidiary banks. The new procurement process has resulted in a more transparent and objective system for selecting suppliers, which requires that compliance with the Code of Ethics be certified. The system enables monitoring of the processing times for procurement, as well as increases in the values of procurements, thus allowing the efficiency of the procurement function to be evaluated. Concurrently with this, our current base of suppliers is being reviewed to ensure compliance with strict efficiency principles. To reduce our burden on the environment, we now ask for offers to be submitted on CD-ROM.

In 2011 we plan to introduce a standardised system for the pre-qualification and post-performance rating of suppliers, and are also giving consideration to the development of a Suppliers' Portal, which would simplify communication with suppliers during procurement tenders and, no less importantly, would render most of the process paper-free.

### Number of suppliers by geographical location

	2008	2009	2010
Hungary	6 767	3 570	3 526
Europe	113	57	71
North America	12	9	8
Asia*	1	1	2
<b>Total</b>	<b>6 893</b>	<b>3 637</b>	<b>3 607</b>

As of 31 December.

### Spending on services by geographical location of suppliers (HUF million)

	2008	2009	2010
Hungary	46 381	24 582	19 412
Europe	1 279	1 359	1 612
North America	362	457	170
Asia*	0.81	1	17
<b>Total</b>	<b>48 024</b>	<b>26 399</b>	<b>21 211</b>

As of 31 December.

\* Israel is included in Asia.

# 2.4.

## Our social impacts

**The CIB Group regards corporate social responsibility as a strategic issue that lies at the heart of its business operations, and not purely an exercise in philanthropy. The purposeful management of community relations is a part of the process by which the bank – with the collaboration of its stakeholders – aims to make dialogue into a fundamental prerequisite for the joint, and thus effective, resolution of problems.**

Responsible operation, sustainability, community Grand words, but it's sometimes difficult to decipher what they actually mean at a corporate level. It's only natural that at home we do whatever we can to support the children's nursery school, collect paper, selectively dispose of waste where possible, show solidarity with the victims of natural or other disasters; and another very important thing to bear in mind: we pay taxes, thus providing the funds to pay for those community services that we too make use of. The CIB Group's efforts to be a responsible member of the community are the same, but due to our size they are on a different scale. We help where we can, using the tools and channels at our disposal.

The purposeful management of community relations is a part of the process by which the bank – with the collaboration of its stakeholders – aims to make cooperation into a fundamental prerequisite for the joint, and thus efficient, resolution of problems. This includes:

- developing financial literacy;
- relations with civic and professional organisations;
- civic engagement;
- social solidarity;
- charitable giving;
- corporate volunteering.

Our definition of community relations includes our relationships with the representatives of state institutions (government, local councils, regulatory authorities and supervisory bodies), professional organisations (associations, trade federations, chambers) and the third sector (non-profit organisations, foundations, local communities). From the CIB Group's point of view the most important state institutions among our stakeholders, and those that have the greatest impact on our operations, are the Hungarian Financial Supervisory

Authority (HFSA), the National Bank of Hungary (MNB) and the Competition Office (GVH).

In many cases the value our steps taken in support of the community can also be expressed in monetary terms. HUF 225 million. This was how much CIB spent in 2010 on its support for the wider community in the broader sense of the word, and it did so in a year fraught with exceptional difficulties.

- We supported more than 80 educational institutions throughout the country.
- We facilitated the renovation of churches, the holding of cultural events and the publication of books.
- We held exhibitions of pictures by sick children.
- We performed voluntary work at the Camp of Courage.
- We made it possible for almost 100 seriously ill children to stay free-of-charge at the Camp of Courage.
- In the village of Bódvalenke the frescos were completed which, even, today, represent a means of earning a living for the community in this village, which struggles with 95% unemployment.
- We provided opportunities for several hundred small children with light or severe handicaps to develop in the critical early stages of their lives, especially in small rural settlements that have until now been completely neglected.
- At Christmas, instead of sending our corporate gifts, we supported an institution that assists in the development of autistic youth, and sent greetings cards made by them to our customers.
- It is characteristic of the colleagues we work with that they held the "Bankáradás" (Bank Flood) charity concert on their own initiative and from their own resources, donated money to the Bódvalenke project, travelled to Transylvania to deliver Christmas donations, and spent their holiday time doing voluntary work in the Camp of Courage.
- **And in an exceptional and unparalleled move:** Following the red sludge catastrophe CIB was the first, and for a long time the only bank in Hungary to take the decision to write off the entire debts of all victims whose property had been destroyed by the industrial disaster, or had been demolished in the course of the restoration work, or whose CIB-financed vehicle had been damaged beyond repair as a consequence of the spillage.

### Developing financial literacy

- Developing the financial literacy of Hungary's population is an important social objective. To ensure the quality training of the financial professionals of the future we supported some 100 training institutions with vocational training contributions amounting to approximately HUF 114 million.
- At the end of 2010, CIB Bank joined the "Financial Navigator Program", which is sponsored by the National Bank of Hungary and the Hungarian Financial Supervisory Authority, and run by the Financial Compass Foundation with the aim of widely improving financial literacy.



### The Financial Navigator Program

*"In recent years a number of state institutions – including the National Bank of Hungary and the Hungarian Financial Supervisory Authority – as well as numerous market players and civic organisations, have taken steps to improve the financial literacy of the public at large. An important step towards effectively achieving this goal, however, is to further strengthen cooperation between the organisations concerned, to coordinate the initiatives, and to create the broader-based financing background necessary to run the programs. The primary objective of the Financial Compass Foundation, established in October 2008 at the initiative of the National Bank of Hungary, is to facilitate dialogue between the various stakeholders. The Foundation aims to create opportunities for cooperation, and to take on an active role in the development and implementation of socially important programs aimed at promoting the development of financial literacy.*

*The Financial Compass Foundation seeks to develop, launch and support financial awareness programs that reach the highest possible number of households. In order to effectively reach the large and heterogeneous target group, the multiplying effect of the mass media is also needed. In 2010, in the interest of identifying potential cooperative partnerships, the Foundation initiated negotiations with Sanoma Budapest Zrt., one of Hungary's leading media corporations. Through a pooling of their intellectual resources, the proposal for the "Financial Navigator Program" was drawn up and presented to the leading players in the financial market, as well as the professional organisations concerned, in September 2010.*

#### Main elements of the Financial Navigator Program

- Imparting, in a comprehensible manner, practical financial skills with relevance to specific life situations, dealing with the financial matters typical at each stage of life, into account the current issues of the given year
- Editorial content based on professionally quality-assured background information derived from independent sources, in a number of variations
- 15-month timescale starting in January 2011, campaigns planned to reach some 4-5 million people, 150 million contacts made in the space of 15 months"

*Excerpt from the program's introductory brochure*

applications and the criteria for judging them are uniform and transparent. A new element of the evaluation system involves the setting up of a three-member prejudging committee, who will perform an evaluation of the applications received by scoring them based on specified criteria. The new system, which guarantees an impartial and consistent judging process, will be used by the CIB Foundation in all three of its key areas for support. In addition to children's healthcare and child protection in the broader sense – which covers all activities that promote the health physical and psychological development of children – we place particular emphasis on projects aimed at facilitating the integration of those who are in some way socially disadvantaged, and on the preservation of cultural heritage.

In the first round of this initiative, for one month from the end of September the CIB Foundation invited applications from public-benefit organisations launching projects, to be completed within a one-year period, to promote the healthy physical and psychological development of children, particularly in the early stages of their life. The board of trustees granted support totalling around HUF 20 million for projects that are scheduled to be implemented in 2011. The table below does not include these decisions.

### Social solidarity: the CIB Foundation in 2010

2010 brought a change in the causes supported by the foundation. In a departure from the policies applied to date, in the framework of three new tendering systems, the board of trustees will give priority to supporting causes that serve to alleviate the problems of social groups that are disadvantaged from a social or healthcare perspective, and projects that serve to protect our cultural heritage.

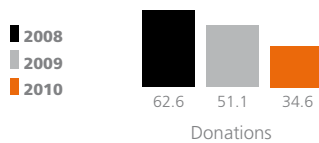
**To this end we also overhauled the system for accepting and evaluation applications for assistance, and introduced the "We can make a difference" scheme.** The new system ensures that both the procedure for submitting

### Beneficiaries of the CIB Foundation in 2010 (payment made in 2010)

Bátor Tábor (Camp of Courage) Foundation
"Genie Oblige" Foundation for the Academy of Music
Gábor Kovács Artistic Foundation
Magyar Fotográfusok Háza Nonprofit Kft.
Hungarian Red Cross
Hungarian Baptist Aid
Hungarian Maltese Charity Service
National Large Families' Association



## Donations made by the CIB Corporate Social Responsibility Foundation (HUF million)



### Bódvalenke – Fresco Village

The CIB Corporate Social Responsibility Foundation has supported the Bódvalenke Fresco Village project since July 2009. As part of a rural development project financed from charitable donations, the village of Bódvalenke is attempting to break out of extreme poverty through the hard work of its inhabitants. The objective of the three-phase project is to revitalise the village, develop the community and generate jobs by promoting local tourism (the village is situated close to the Aggtelek stalactite caves). One of the project's main goals is to transform Bódvalenke into a well known centre for gypsy culture and folk art within the space of a few years.

The most spectacular results of our support are the 13 monumental frescos that have been completed so far. But this was only a small part of the assistance provided by the CIB Foundation: it enabled 10 secondary school students to continue their studies, and 10 young people to learn handicrafts at the Téka Camp. Indirectly it also helped launch a battle, on several fronts, against extreme poverty: families are now assisted by a social worker and Waldorf-method educational specialist; the Fresco Village Social Cooperative has been established, and tourism is picking up, albeit slowly. But it was not only the Foundation that assisted Bódvalenke. CIB's employees, hearing of the damage caused by torrential rains and flooding, took up a collection. From the HUF 800,000 in donations, now that social benefits for the poorest in society have decreased and opportunities for community work have narrowed sharply, but the prices of basic foodstuffs have risen by 100-150% and all the crops in Bódvalenke have been destroyed, we were able to provide genuinely life-saving packages of food aid on three occasions. Our efforts were greatly assisted by the fact that a part of the CIB donation for the flood victims was deployed by the Hungarian Red Cross, Hungarian Baptist Aid and the Hungarian Maltese Charity Service.

And there is someone who the children of Bódvalenke will never forget: Zsófi, the daughter of one of CIB's employees, who – after getting to know Bódvalenke at the Dragon Festival, decided to return as a volunteer instead of going on holiday. For a whole month she told stories, drew, and made beautiful papier-mâché birds with the children of Bódvalenke. Ever since then she has returned to the village regularly, and at Christmas got up a collection so that the children could receive presents, possibly for the first time in their lives.

The CIB Foundation continues to support the Fresco Village project in 2011. This year our partner assisting with this work is Hungarian Reformed Church Aid.

### The colourful world of the courageous:

Between 20 April and 28 May 2010 we held a special exhibition in the reception area of our head office in Medve utca. On display were a series of paintings by children who attended the Camp of Courage.

The Camp of Courage Foundation organises camps for children suffering from malignant and chronic disease. The success of the Camp cannot be measured in forints, but in terms of faster recoveries and children's smiles. For six years now CIB has been proud to contribute to this unique initiative, which brings a little more colour to the lives of the children who attend the camps.

To give all interested parties a glimpse into the life of the camp's residents, we exhibited some of the works of art created by sick and healthy children with the assistance of a few acclaimed contemporary artists (András Wahorn, László Karácsonyi, Zsuzsa Csiszer, Katalin Verebics). The pictures were painted in November 2009 at the Budapest Art Fair. Three of the paintings were bought by the CIB Foundation.

### Charitable giving

As a part of its commitment to social solidarity, in 2010 the CIB Group repeated its successful **equipment donation scheme**, under which it donated the out-of-use office furniture and electronic equipment stored in its warehouse to publicbenefit organisations. In addition to this, at the end

of 2010 we decided to **once again donate the money set aside for Christmas gifts to clients to charitable causes**. As a result of this decision – of which we informed our customers through a variety of channels – we provided HUF 5 million in assistance for the "Rainmen" Autism Association of Tata.

### Local and international solidarity

Last year CIB helped the **victims of natural disasters** in a variety of ways. Not only CIB Bank and the CIB Foundation, but the employees themselves also played an active part in providing this assistance. In response to the flooding disaster the CIB Foundation pledged support totalling HUF 10 mil-

lion to those in need, through the Hungarian Red Cross, the Hungarian Maltese Charity Service, Hungarian Baptist Aid and the National Large Families' Association. We held a collection of clothes and cash donations among our employees, and got together for a charity concert entitled "Bankáradás" (Bank Flood).

#### **BANKÁRADÁS: bank rockers in support of the flood victims**

*At the initiative of our bank's own rock band, ReCIBrock, a highly unusual event was held. At 8 o'clock on the evening of Friday 1 October 2010, bands formed by the staff of CIB Bank, OTP Bank, Volksbank and Erste Bank gave a charity rock and pop concert, with the Melody Bank band also making a guest appearance.*

*Tickets to the event cost HUF 1,000 each, and all the takings went to the flood victims, via the Hungarian Red Cross. The venue for the concert was the Diesel Club in Budapest. From the HUF 1 million collected at the charity event, the Budapest division of the Hungarian Red Cross manage to restore the severely damaged playground of the playgroup and nursery school in Mátyás utca, in the village of Edelény, enabling 209 children to once again play under the appropriate conditions. The support came as a great help for the institution, which can now provide a suitable environment for the children to play in. The number of rides in the institution's playground has increased, the old and worn equipment has been replaced, so now the children have a versatile and diverse range of opportunities to develop their skills and have an enjoyable playtime experience. Using the donations, a play train, a climbing wall with ropes, a chain footbridge, two seesaws and two treadmills were purchased and installed in compliance with EU standards.*

#### **Donation to the Heim Pál Children's Hospital**

*The young patients at the neurology department of the Heim Pál Children's Hospital, which treats children from all over the country, can now count on shorter waiting times, quicker diagnoses, and an earlier start to their treatment. Added to this, examinations of the muscular and nervous system will result in far less discomfort for the children, thanks to the new, cutting-edge medical instruments purchased by the hospital from the HUF 10 million donation made by the CIB Group at the end of 2009.*

*The specialists use the new electromyograph (EMG) devices to examine the muscular system and the peripheral nervous system. The state-of-the-art medical instrument will make it possible to examine 1,000 children a year. The other device purchased from CIB's donation is a portable electro-encephalograph (EEG). Both machines, and the third device purchased, which is a special ultrasound probe specially designed for paediatric use, serve to ensure that diagnostic tests are carried out in the shortest possible time. This way the treatment can begin earlier, and the children can rejoin their friends, their health restored, that much sooner. An important feature of all three of the modern devices is that they are "child-friendly" instruments, designed to cause as little discomfort as possible to the young patients in the course of the examinations. Meanwhile, the accuracy and advanced technological standard of the instruments assists the doctors providing treatment in their day-to-day work.*

*This is not the first time the CIB Group has contributed to technological developments at the Heim Pál Children's Hospital. In recent years CIB Leasing, and last year CIB Bank, donated a substantial amount to this leading Hungarian children's healthcare institution.*

### Professional organisations

- Our partnerships with professional organisations also represent an important aspect of our community relations. The interests of the various sectors of the economy and society, are represented by the associations formed by stakeholders, each focusing on a clearly defined set of objectives. Our participation in these organisations is important for two fundamental reasons. Firstly, it creates an opportunity to

engage in professional dialogue, and secondly, it provides the CIB Group, and the bank sector as a whole, with a means of upholding and protecting its interests as part of a structured advocacy group. Last year we reviewed and rationalised our membership of organisations, with the result that by the end of the year we participated in the professional work of a total of 16 organisations. For a list of the organisations, see section 4.4.

# 2.5.

## Managing our environmental impacts in 2010

In 2010 the bank group made serious efforts to involve its employees in environmental protection programs and in energy saving initiatives launched by the bank group. As part of a long-term commitment, these initiatives focus on achieving energy savings essentially by way of communication and engagement, and in the course of this, they ensure that all the related activities are included in a uniform framework system. In connection with this, the bank has launched several programs of varying complexity. At the end of the year the bank started the "Energy saving project", with the aim of introducing new energy saving methods while improving those that are already being applied. Besides this, at one of its head office buildings in Budapest CIB launched a selective waste collection program, which at the beginning of 2011 was also introduced at the "Kismedve" head office

building. By setting up an in-house environmental protection database, the bank group further refined its system of sustainability reporting.

Our overall energy consumption declined substantially in 2010, by almost 10% in comparison to the previous year. Our paper use decreased, as did our fuel consumption due to the change in the number of vehicles in our fleet. The emptying of storage facilities, and the scrapping of equipment, had an impact on the quantity of waste generated.

At the end of 2010, elaboration of the Energy Project began. The objective of the team supervising energy management is to determine the steps to be taken over the coming three years to cut down on energy consumption. The project is set to be launched in 2011.

	Unit of measurement	2008	2009	2010
Total energy consumption	GJ	131 696	112 883	103 159
Electricity consumption	kWh	20 162 303	18 755 237	18 648 750
Other renewable energy	kWh	115 189	111 969	89 061
Natural gas consumption	m <sup>3</sup>	1 053 435	893 833	818 460
Vehicle fuel consumption	l	728 890	464 199	250 872
Water consumption	m <sup>3</sup>	30 295	28 149	33 466
Vehicle fleet	db	450	206	154
Paper usage (office A4, A3)	kg	238 896	235 131	209 779
Paper usage <sup>1</sup> (office A4, A3 other)	kg		329 572	315 184
Paper usage per employee (office A4, A3)	kg/person	64.8	71.7	57.41
Paper usage per employee <sup>2</sup> (office A4, A3 other)	kg/person		100.5	86.26
Energy consumption per employee	GJ/person	35.7	34.43	19.79
Energy consumption per m <sup>2</sup> of office space <sup>3</sup>	GJ/m <sup>2</sup>	1.21	1.17	0.93
CO <sub>2</sub> emissions resulting from energy consumption <sup>4</sup>	t	10 882	10 427	9 085.55
CO <sub>2</sub> emissions from energy consumption per employee	t/person	3.24	3.18	2.31
Water consumption per employee	m <sup>3</sup> /person	8.21	8.58	9.16

<sup>1</sup> For reasons related to data collection, the 2008 annual data only includes the quantity of photocopier paper used. The 2009-2010 figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead.

<sup>2</sup> For reasons related to data collection, the 2008 annual data only includes the quantity of photocopier paper used. The 2009-2010 figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead.

<sup>3</sup> The energy usage (GJ) resulting from vehicle fuel consumption is not relevant for the purpose of calculating energy consumption per square metre of office space, and therefore we have also modified the previous years' data accordingly. Defining the concept of office square meter also took place based on the definition approved by Intesa Sanpaolo; the net office area is 102 461.85 m<sup>2</sup>.

<sup>4</sup> In respect of the 2007-2009 period CO<sub>2</sub> emissions have been calculated based on the conversion rates set by the Budapest University of Technology and Economics, which are, in the case of electricity, 401 kg/kWh, in the case of natural gas 1.9739 kg/m<sup>3</sup>, and in the case of fuel (diesel, petrol), 2.46 kg/l. With effect from 2010, the conversion rates recommended by our parent company Intesa Sanpaolo are as follows: in the case of electricity, 368 kg/kWh, in the case of natural gas 1.934 kg/m<sup>3</sup>, and in the case of fuel (diesel, petrol), 2.444 kg/l.

- **Owing to our energy-saving measures, our natural gas consumption, and thus our overall energy consumption, decreased substantially compared to 2009,** as did most of the energy consumption indicators. **The considerable fall in vehicle fuel consumption** resulted from a significant reduction in the size of our company car pool, carried out as part of the cost-cutting measures implemented during the year. The 214 cars owned by the company decreased, through the sale of vehicles, to 154.
- While in 2007 and 2008 we only measured the quantity of photocopier paper used, from 2009 the figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead. We are also con-

stantly working to **increase the ratio of recycled paper that we use, which in 2010 amounted to 29 094 kilograms, representing 9.2% of our total paper usage.**

- CIB Bank also **does a great deal to ensure sensible and efficient energy use in relation to hot water supply.**

The solar collectors installed on the roofs of the office building in Petrezselyem utca, and the main building and the small office building in Medve utca, as well as the CIB24 building, provide hot water to the four central office buildings. In 2010 the solar panels saved 9 374.84 m<sup>3</sup> of natural gas, which is equivalent to the annual gas consumption of 2 average detached houses.<sup>1</sup>

### Greenhouse gas emissions avoided

	2008	2009	2010
tonnes, in carbon-dioxide equivalent <sup>2</sup>	22	24	17.94

<sup>1</sup> Equivalent for achieving the same performance as that produced by the solar collectors, through the use of natural gas. (The conversion ratio applied by Intesa in 2010 was 1 m<sup>3</sup> gas=9.6 kWh, whereas in previous years we applied the 1 m<sup>3</sup> gas=9.5 kWh specified by our energy consultant.)

<sup>2</sup> Conversion ratio: 1.934 kg/m<sup>3</sup> (Intesa), in accordance with Intesa's recommendation, we do not take the efficiency rating of the boiler into account.

### Shaping attitudes

- In spring, and again in autumn, CIB Bank again took part in the "Bike to work!" campaign, which aims to promote cycling as a day-to-day means of transport, especially as an alternative to individual car use, which is known to be the most damaging mode of travel from an environmental perspective. As part of the spring and autumn "Bike to Work!" campaigns, 50 of our employees pedalled a total of 7,913 kilometres, thus saving their environment from a total of 1 416 kg in carbon-dioxide emissions. In autumn, although no longer as an official sponsor, we achieved similar results again.
- In the course of the year, in special "theme weeks" we informed and motivated our colleagues with regard to environmental issues. We were also the first among Hungary's banks to take part in the World Wildlife Fund's Earth Hour initiative, and we launched a large-scale internal information campaign on the theme of energy saving.

the cycling season, for those diehard colleagues who also cycle to work in the winter. In a new development, by popular request we have marked out a total of 23 special parking spaces at our Medve utca and Petrezselyem utca office buildings for the use of our employees who ride a motorcycle or scooter to work.

- As we noted in last year's report, in 2009 we joined an initiative aimed at profiling the way people travel to and from our head offices, with the findings of this study potentially serving as the basis for drawing up a **Workplace Travel Plan**. As a part of the program, in February 2010 the CIB Group used a questionnaire to assess the transportation habits of employees in the central offices. The results of the questionnaire underpinned the need to install bicycle racks and changing facilities, and also contributed to more effective internal communication related to environmental issues.

### Transportation

- **In 2010** we further increased the number of bicycle storage facilities in the office building in Petrezselyem utca, with the result that **a total of 83 bicycle parking spaces are now available at our central office buildings in Budapest.** In the course of the year we fitted **additional cloak-room lockers** in the Petrezselyem utca building for the use of employees who cycle to work, so now a total of **157 lockers** are available to our colleagues. At the changing rooms in the Petrezselyem utca office – our largest building – **heating and hot water** are provided all year round, even outside

### Launch of the CIB Bike Sharing scheme

*In July 2010 we launched the CIB Bike Sharing scheme to promote cycling as a means of transport among our employees, primarily to ease movement between our head offices. Besides making it easier for our employees to get around, the program – which was launched with the support of our parent bank as a part of the “We are Intesa Sanpaolo Group” initiative – also contributed to reducing our ecological footprint and reinforcing our image as an environmentally aware bank. At the launch of the program we made eight CIB bicycles available at three head of offices and two provincial branches (Pécs, Debrecen). The bicycles have unisex frames and a full chain guard to protect clothing; they are all fitted with a small front basket and the saddle height can be adjusted without a spanner. A crash helmet and high-visibility vest are provided with each bicycle. In the first stage of the program the bicycles are on hand to make it easier to travel between our head offices, while their use at evenings and weekends will be possible from 2011.*

### Development of services

- In the case of statements sent to the customers of CIB Bank, the leaflets used for marketing purposes (newsletters enclosed with statements) are made from **recycled paper**; the number of these **in 2010 was close to 4,062,000 million**. The envelopes used for internal mail consignments are also made from recycled paper, and a single envelope can be used several times. In 2010 we sent 23 100 of these to the branch network.

### Responsible waste management with benefits for society

- Two years ago the CIB Group concluded an agreement with the Hungarian Maltese Charity Service regarding the **removal and reprocessing of electronic waste**. The Charity Service has created the first electronic waste processing site to be licensed by the environmental authorities, in the small town of Tarnabod, which is both socially and economically disadvantaged. The facility, which is run as a social enterprise, has a maximum capacity of 600 tonnes per year, and besides achieving important environmental

objectives it also creates jobs for disadvantaged groups within society. **In 2010 the CIB Group had 17 920 kg of electronic waste transported to the site.**

- We continue to provide an opportunity to **dispose of dry cells, which are classified as hazardous waste**, at receptacles located in our central offices buildings and the CIB24 customer service area. **The weight of dry cells collected in 2010 was 155 kg.**
- Companies can generate high quantities of confidential documents. After being destroyed, these can go to the paper factory as a secondary raw material. High-capacity shredding and baling equipment is in operation at several of the CIB Group's business sites. Some of the branches send their office paper waste to an external service provider for destruction, while collection bins are located in the corridors of the central buildings. This paper waste is shredded in-house and deposited by us at the appropriate waste collection sites. **In 2010 we deposited 44 980 kg of paper for recycling**, from which 36 000 kg of recycled paper was made.

### Interesting facts and figures

*In 2010 we collected a total of 729 kg of PET bottles and had them taken away for recycling from the bank's head offices. One kilogramme of PET consists of on average of 25 crushed bottles, which puts the number of selectively collected bottles at a total of 6 975. At our new “Kismedve” head office building we have installed new, manual bottle crushers, which are more environmentally-friendly than the earlier, electrical models, since they consume no electricity and no poisonous gases are released when using them.*

**Quantity of waste generated by type (kg)**

	2008	2009	2010
Paper	23 840	52 140	44 980
Packaging materials (paper, cardboard and plastic)	1 000	2 220	0
Office machinery	2 960	6 300	17 920
Hazardous waste	1 523	1 175	290
<i>Used dry cells</i>	<i>365</i>	<i>745</i>	<i>155</i>
<i>Waste that is damaging to the ozone layer (e.g. refrigerators)</i>	<i>1 158</i>	<i>430</i>	<i>135</i>
Other	365	1 847	2 627
<b>Total</b>	<b>29 688</b>	<b>63 682</b>	<b>66 548</b>

In past years we collected packaging materials in the building formerly occupied by CIB Leasing. These premises have since been vacated, however, and we currently have no means of separately collecting package materials.

The increase in the quantity of office machinery waste was due to the internal changes of premises, inventory-taking, the emptying of the storage facility in Budaörs, and the scrapping of equipment.

The types of waste we classify as hazardous include dry cells, as well as scrapped refrigerators and air conditioning units, which we hand over to the Hungarian Maltese Charity Service. In consultation with the CSR specialist of Intesa Sanpaolo, starting from the second half of 2010 we changed the method used for determining the quantity of waste. We now list not only the oily sludge generated in car washes and kitchens as “other” waste, but also PET bottles.

# 3.

## Corporate governance

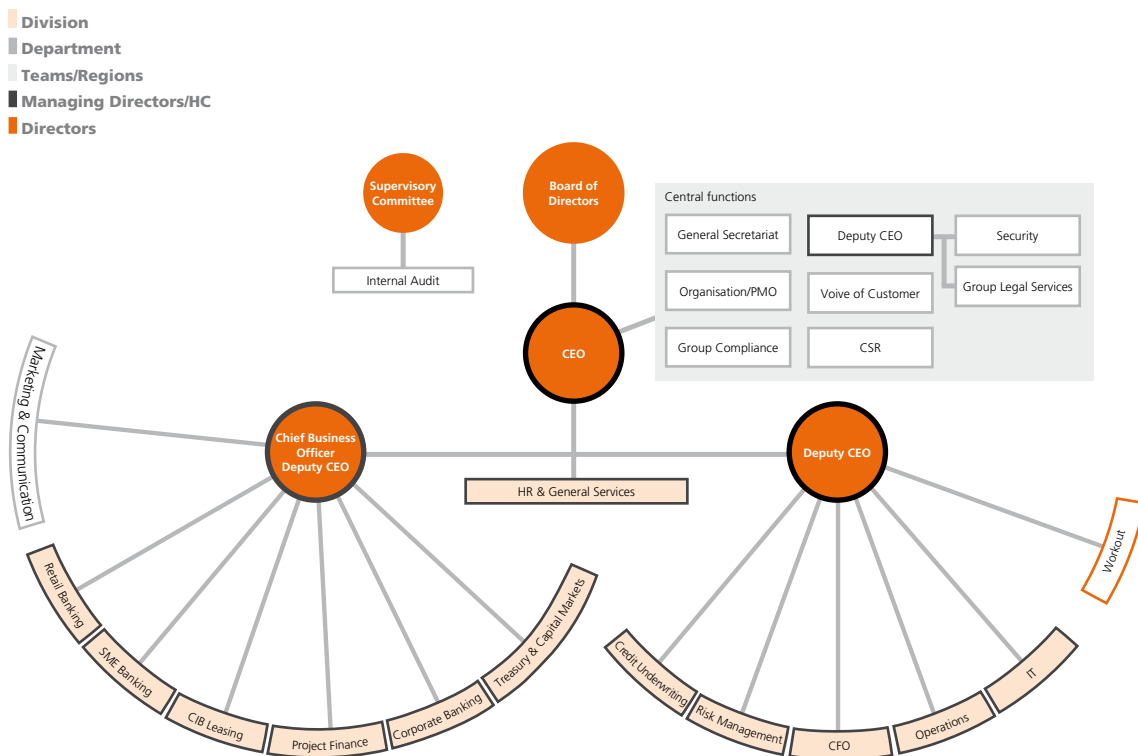
**C**orporate governance issues are central to the responsible operation of the organisation. As a member of an international group and an important market player, we must set an example and lead the way in terms of responsible corporate governance, not only by fully complying with the legal regulations, but also through initiatives that go beyond our core obligations.

### 3.1. Organisational structure

Our bank group provides commercial banking, leasing, fund management and factoring services to private and business customers in Hungary. Similarly to the other players in the sector, in recent years it has placed an emphasis on ensuring continuous growth in its customer base; however, this trend was interrupted by the financial crisis, which shifted the focus to customer retention and gaining the best possible understanding of customer needs. The loan portfolio reflects an even higher degree of risk-awareness than before, with

efforts being made to improve loan quality, while in respect of deposits the aim is to further accelerate the rate of growth. Naturally, profitable operation remains an important objective, in the interests of which we are constantly improving our cost effectiveness. These objectives fundamentally serve the long-term stability of the bank group. We provide comprehensive information about our services on our internet site, and in our Annual Financial Report, which can also be downloaded from our website. (For supplementary data and tables related to the section below, see Annex 4.3.)

#### The organisational structure of CIB Bank (31 December 2010)



Following on from 2009, several significant organisational changes – affecting the business and operating model – continued in 2010 as well. The most significant organisational change of this period was the integration of the Leasing Group, with effect from 1 July, which entailed the full integration into the bank's organisation of the functions previously carried out by the leasing companies. Only those functions remained in a separate organisational form that must, by law, exist separately in the case of leasing companies. In line with the integration schedule, CIB Credit, CIB Property and CIB Residential Property Leasing were merged into CIB Leasing. In the second half of 2010, leasing operations were split off from the SME Banking Division and began to function as an independent division, which reflects its importance within

the CIB Group. The CEO of the Leasing Division reports to the Chief Business Officer.

Among the several significant changes that took place in 2010 we would first like to highlight the creation of the new position of Deputy CEO for Group Legal Services, held by Dr. Gábor Király – reporting directly to the CEO – who is responsible for the following functions: Security; Group Legal Services and the Governance Centre. In the summer of 2010, Gábor Plank joined the bank as its new Chief Business Officer. The changes affected the Operations, IT, Marketing & Communication and CFO departments, while the bank's Workout (collection, restructuring, asset management) departments also underwent significant organisational changes and expansion.



### 3.2. Decision-making bodies

#### Members of the Board of Directors

Name	Organisation represented
Dr. György Surányi, chairman	Intesa Sanpaolo bank group
Fabrizio Centrone	Intesa Sanpaolo bank group
Paolo Sarcinelli	Intesa Sanpaolo bank group
Giampiero Trevisan	Intesa Sanpaolo bank group
Tomas Spurny	CIB Bank
Eduardo Bombieri	CIB Bank
Dr. Gábor Király	CIB Bank
Gábor Plank	CIB Bank

As at 31 December 2010.

#### Members of the Management Committee

Name	Position, area of responsibility
Tomas Spurny	CEO (chairman)
Eduardo Bombieri	Deputy CEO
Dr. Gábor Király	Head of Group Legal Services
Gábor Plank	Chief Business Officer
László Vér	Head of Human Resources and General Services
Judit Lamboy	Head of Retail Banking
Orsolya Haller	Acting head of Corporate Banking
Alessio Cioni	Head of Project Finance
Csongor Németh	Head of SME Banking
Áron Vitályos	Head of CIB Leasing
Zoltán Tóth	Head of Treasury and Capital Markets
Zoltán Csordás	Head of Credit Underwriting
Zsuzsanna Németh	Head of Risk Management
Péter Bánó	Chief Financial Officer
Andrea Wéber	Head of Operations
Lajos Tancsik	Head of Information Technology

As at 31 December 2010.

The bank's supreme decision-making body is the **shareholders meeting**, which is made up of all the shareholders. The structure of the other corporate bodies is as follows:

- The Bank's executive body is the **Board of Directors**, the members of which are employed either by the parent group or CIB Bank.
- The **Supervisory Committee** is responsible for overseeing the bank's operations. The Supervisory Committee has two members representing the employees, for whom it represents a means of communicating employees' recommendations to both the owner and the Shareholders' Meeting.
- The **Audit Committee**, supports the work of the Supervisory Committee, primarily in relation to auditing and compliance-related tasks.
- The **Executive Committee** is authorised to decide on matters determined by the Board of Directors.
- The **Steering Committees** are authorised to independently make decisions and launch initiatives affecting the entire CIB Group, within the scope of authority delegated to them by the bank's Board of Directors:

- **Management Committee**
- **Asset-Liability Committee**
- **Credit Committee**
- **Problem Assets Committee**
- **Legal and Risk Evaluation Committee**

- The **Operative Committees** are independent bodies charged with the making of non-strategic decisions at the level of the overall CIB Bank group.
  - Sector risk committees
  - Regulatory Committee
  - Information Security Committee
  - IT Development Committee
  - Procurements Committee
- The CIB Bank group's **Technical Committees**, within the scope of their authority, have initiation, proposal and advisory rights.
- **Auditor:** Ernst & Young

### 3.3. Selection and evaluation of managers

A key factor in the success of an organisation's operation is the expertise of its senior managers. Therefore **the selection and appropriate motivation of managers, and the evaluation of their performance, is an important aspect of corporate governance.**

At the CIB Group, for all jobs – and this is especially true in the case of management and senior management positions – we have determined and recorded, in a job handbook and personalised job description, the expectations that it is essential to fulfil in order to hold the given post. In the case of senior managers this includes, among other aspects, the necessary formal qualifications (higher-education, specialised), the length and depth of relevant management and professional experience (for the management of larger units, several years of management experience) gained in the given specialist area (more than 8 years) and in the bank sector in general (5-8 years), the expected level of foreign-language proficiency (at least negotiation-level English) and last, but not least, the requisite human relations skills, in accordance with the management competency model determined by the owner.

The appraisal of the individual and collective performance of senior managers – which also determines their remuneration – is approved by the owner based on the recommendation of the CEO. The basis of appraisal, and thus of remuneration, in the order of importance with respect to the factors most important in terms of appraisal, are: the company's profitability, the performance of the division/specialist area supervised by the senior manager, and thirdly, the manager's individual contribution to setting the organisation on a new path. The evaluation of performance, in the case of all employees, takes place in the context of formal appraisal meetings, during which the fulfilment of the economic/social/environmental targets relevant to the given employee are jointly reviewed. In order to promote a culture of performance management among our managers, we have introduced performance management training as a selectable module in our management development program.

### 3.4. Promoting ethically-sound and responsible operation

#### Code of Ethics and Code of Conduct

At the owner's request, but in a continuation of work already commenced by the bank on its own initiative, in April 2008 CIB Bank's Board of Directors approved the parent company's **Code of Ethics**, applicable to all members of our international bank group, and it also introduced the CIB Group's Code of Conduct. The Code of Ethics is a document that reflects our broader vision of our social and environmental responsibility, and which attributes fundamental importance to our relationships with our stakeholders. It explains those values in which we believe, and which we have made a commitment to uphold. Our ethical values are listed at the beginning of this report.

The **Code of Conduct** is a means of articulating, in the form of regulations, the values enshrined in the Code of Ethics. It addressed the various aspects of banking operation in detail, sets rules with respect to the expected model of conduct, and deals specifically with the prevention of corruption and the criteria for gift-giving. The Code of Conduct has been incorporated into the CIB Group's regulatory system as a Policy, the breaching of which has consequences under labour law. Concurrently with this, the drafting of ethical rules of procedure, and preparations for the establishment of a future Ethics Committee, were commenced.

The bank also clearly defines its fundamental principles related to responsible practices in its **Organisational and Operational Regulations (SZMSZ)**. Thus the bank rejects all forms of discrimination and corruption in both its internal and external communication. Besides the above, the regulations governing compliance and risk management activities also contain similar principles aimed at supporting responsible operation.

#### Functions supporting responsible operation

Support for the appropriate handling of issues that are essential for responsible banking operations is assured by the clear definition of responsibilities, or in certain cases – to emphasise the importance of the given function – through the creation of a separate organisational unit. From this standpoint we regard legal compliance – especially with respect to the prevention of money laundering – and the appropriate management of the risks arising from our operation as being of particular importance. The purpose of the risk management function is to identify the risks of the given organisational unit, to measure the identified risks and manage them to ensure that they do not jeopardise prudent operation or the fulfilment of business objectives. In the CIB Bank group, the Finance and Risk Management divisions are responsible for these activities. The Bank group seeks to take a complex approach to the management of risk, performing an assessment of all relevant risks, as an integral part of its internal capital adequacy assessment

process (ICAAP). This provides an opportunity for us to manage our activities related to capital, and to expected losses and risks, in a complex manner within a standardised framework. The ICAAP policy is determined by the Group Risk Committee. In the context of its ICAAP, in 2010 the Bank group once again carried out an assessment of which risks are relevant to its operations – e.g. lending, operational, market, reputation, country risk etc. At the beginning of 2011 we assigned risk indicators to each risk, which we use to measure the actual levels of the risks, and if a predetermined threshold is reached we take the necessary steps to reduce the given risk. Maintenance of the risk indicators is performed by the 'risk owners' responsible for the given risks, who are members of the Bank group's management. The development of the indicators is monitored on a monthly basis at the meeting of the Group Risk Committee, which are attended by the Bank group's entire senior management. In 2011 we are carrying out the fine-tuning of the indicators. We regard the continuous strengthening of fraud awareness within the Bank group as being of key importance, whether this relates to the prevention of internal fraud, protecting against external fraud attempts, or the handling of any successful incidences of fraud. In 2010 we made an assessment to determine which of our activities within the Bank group are the most vulnerable to fraud. Based on this, in 2011 we are drawing up a completely new fraud strategy, in a project that also encompasses the development of the appropriate system of records, reports, and risk-mitigation tools.

#### • Responsible lending

The new framework system for risk assumption, launched in 2009, supports active but responsible lending. The responsibility is two-sided, since not only does it mean responsibility towards the CIB Group's shareholders and deposit customers, which presupposes cautious, risk-conscious lending in the interest of safeguarding the invested funding sources, it also means responsibility towards the customers that we finance; in other words, offering financing solutions that are consistent with the customers' risk profile and creditworthiness. To ensure the latter, we precisely assess our customers' financial capacity, while in the interest of the former we maintain a lending policy and approval procedures that are based on the Bank group's experience and an analysis of other information, we operate a monitoring system, engage in workout activities, and manage our risks in a complex manner, analysing them in their broader context. The framework system introduced in 2009 also proved to be essentially satisfactory even in the later stages of the crisis, with only minor changes made in terms of which groups of customers are regarded as target segments for the purpose of lending, and which should be treated with extra caution. In 2011 the lending framework will be comprehensively reviewed, and we plan to make major improvements in the

interests of offering solutions that are even more closely tailored to the needs of the customer.

In 2010 the most important features of our responsible lending activities were as follows:

- The creditworthiness appraisal is based primarily on the customer's income, as the long-term source of repayment, while – except in the case of leasing facilities provided exclusively on an asset basis – we only take the collaterals into account as a secondary source of repayment. This approach creates an opportunity for us to examine – as is now also required by law – the extent to which our customers' income can be burdened with repayment instalments, and to offer financial solutions that are appropriate in the light of this information. Tools to facilitate this are now available to everyone, such as the various calculators that can not only be used in branches with the assistance of our staff, but also on the Bank group's website.
- In the creditworthiness appraisal, we take into account all economic or business relationships that may exist, whether they be ownership, management or even marital relationships. Where such relationships exist, we have to make an even more careful assessment of disposable income, evaluating our customers as customer groups; in other words, we also have to take into consideration any commitments they might have towards each other.
- When establishing customer relationships, we adhere to the basic principle that the CIB Group does not enter into business relationships with companies that manufacture or trade in armaments, military hardware and subsystems, or equipment that can be used for military purposes (non-armament policy). The Bank group does not finance any kind of initiative that breaches or could breach any statute or universal human rights, or which serves to legitimise funds derived from illegal activities (money laundering).
- The CIB Group avoids financing any activities that might be damaging to the environment.
- Practical implementation of the principles set forth in the lending policy is assured by a multi-level system of controls that is still partially under development. The purpose of these comprehensive, process-integrated controls is to screen out transactions that are not consistent with the CIB Bank group's lending principles, before the decision pertaining to the given risk assumption is made. In the fourth quarter of 2010 a secondary control function was also partially put into operation, which audits fulfilment of the lending principles retrospectively, both at portfolio level and in respect of individual transactions. The transaction-level audits have commenced, and their structuring, while the development of portfolio-level control will be performed in 2011. Based on our experiences we modify the processes if necessary.
- In the case of existing financing relationships, regular monitoring is very important. This entails the monitoring of

whether our customers' repayment ability continues to be satisfactory, or whether it is necessary to resort to temporary solutions for stabilising our customers' financial situation. The CIB Bank group's aim, and also its fundamental interest, is to maintain its customers' solvency, and for this reason in every case we seek mutually acceptable solutions aimed at restoring normal operation.

- To this end the Bank group applies numerous solutions both in the case of its customers that are still active and handled by the business department, and of those in more serious difficulty and under the management of Workout. The goal is to avert insolvency on the part of the customer, and to restore the ability to make regular repayments, even if only at a later juncture or with lower instalments, or possibly through the use of other solutions. The economic crisis put many of the bank group's customers in a difficult situation, and for them we primarily offered restructuring solutions, which clearly serve the above purpose.
- High-quality and effective monitoring activity is assured by an electronic solution that was introduced in March 2010 and has been undergoing constant development since then, which automatically computes what are known as early warning signs – information that can assist in identifying customers that could require special help. Besides supporting monthly monitoring, the system is also suitable for the maintenance of action plans and for reporting, making it possible to measure the results of action taken, which in turn assists in the fine-tuning of the system and the processes involved, and in the provision of constant feedback.
- The introduction of new lending processes in February 2010 underpinned the key importance of feedback regarding our lending practices to date. To eliminate existing process errors and deficiencies, tasks were reallocated between the branch network and the central organisational units, numerous IT developments were completed, and a consistent controlling system was incorporated into the lending process. During the remainder of the year, first the process was fine-tuned, then in response to a change in conditions, a more comprehensive overhaul of process was begun. We will complete the bulk of this work in 2011, and it will extend not only to lending processes but also to the other related activities – a complete overhaul of the customer rating system, review of the transaction scores, development of a lending workflow for the retail segment, etc.
- The most tragic event of the year 2010 was the red sludge disaster that took place at the beginning of October, which directly or indirectly affected 261 companies and individuals who are customers of our Bank group. The CIB Bank group treated assisting those customers who were affected as a matter of priority, and we were the first bank to decide to waive the entire debt of all customers who were directly

impacted, whether in relation to a property, a vehicle or bank card debt or any other form of credit. For our customers who were indirectly affected by the disaster we set out to develop individual solutions. Our employees also offered their personal assistance to the committee coordinating the cleanup operations in the affected towns and villages.

- In the interest of safeguarding the Bank group's capital, we treat the up-to-date and precise recording of collaterals as a priority, checking legal status, current value, or another important feature of the collaterals. To this end, in 2010 a comprehensive data cleaning project was undertaken, in respect of the most important collaterals accepted by the Bank group. In 2011 we are continuing with the data cleaning process, and for the purposes of prevention we are restructuring our processes for the acceptance, recording and monitoring of collaterals.
- In the fourth quarter of 2010, to ensure more effective cooperation with the related departments, the Risk Management unit also underwent a change: in keeping with the organisational logic applied elsewhere in the Bank group, where justified, the functions supporting the retail and corporate sectors were separated within Risk Management as well. In 2011, in respect of the areas that are still integrated – e.g. regulation – we will hold a review to determine whether it would be conducive to better cooperation within the Bank group if they were split along the lines of the two main business lines, and in the light of our experience to date we will also examine the possibility of separating the tasks and responsibilities of Risk Management and Credit Underwriting.

#### • Internal Audit

Internal Audit is an independent and objective, corroborative and advisory function, the purpose of which is to improve the operations and effectiveness of the given organisation. In order to assist in achieving the organisation's stated objectives, the Internal Audit function methodically and systematically assesses and improves the effectiveness of the audited organisation's governance and control procedures.

#### • Assuring legal compliance

The purpose of compliance activities is to ensure that the bank's financial, investment and other service-provision operations are conducted within the constraints of the law, and with a view to mitigating related risk. The Compliance department has developed numerous internal regulations that provide the CIB Group with clear guidance regarding the rules to be followed in respect of issues that are particularly sensitive or potentially controversial.

#### • Prevention of money laundering and corruption

A separate team of specialists coordinates activities to combat money laundering. Their task is to screen for suspicious

transactions, provide staff with training in anti-money laundering procedures, forward reports of suspicious transactions to the relevant authorities, and to ensure the necessary flow of information. In 2010, building on previous efforts, by developing its IT infrastructure the CIB Group increased the security and effectiveness of its efforts to prevent and combat money laundering. In 2010 a total of 1 256 staff at the bank and 175 employees (46% of the staff) of subsidiaries received training in the prevention of money laundering, and sat the examination that followed. The obligatory Code of Conduct, which was approved in 2008, has a separate section devoted to the prohibition of corruption.

As a part of its efforts to combat corruption – in keeping with the relevant guiding principles of Intesa Sanpaolo – the CIB Group does not, in any way, support politicians or political parties, or institutions with which they are associated.

#### • Prevention of conflicts of interest

With respect to conflicts of interest, we proceed in accordance with requirements that are stricter than those set out in Act CXII of 1996 (Credit Institutions Act), Act CXXXVIII of 2007 (Investment Services Act), and Act XXII of 1992 (the Labour Code). To this end we have amended our internal regulations on personal conflicts of interest. In 2010, we conducted a detailed audit of the segment of the CIB Group's workforce that a risk-based assessment shows to be more likely to be affected by this issue, in order to prevent personal conflicts of interest. As a result of this the employment relationships of several members of our staff were terminated. We improved our procedures for screening prospective new employees, prior to their joining the company, in order to detect potential conflicts of interest.

#### • Consumer protection

As a consequence of the economic crisis, the demand for consumer protection in Hungary has strengthened under pressure from both society and legislators. The CIB Group, adapting to the new expectations, has developed procedures that reinforce the protection of consumers. A dedicated specialist has been assigned to oversee this task, ensuring that consumers' interests are taken into consideration in the course of day-to-day operation, and that this attitude becomes an integral part of our corporate culture.

#### • Risk management, prudent investments

The essential purpose of the Risk Management function is to identify the risks of the organisation, to measure the identified risks and to manage them to ensure that they do not jeopardise prudent operation or the fulfilment of business objectives. Ensuring fully comprehensive risk management requires proper guidelines, appropriate limits and smooth reporting procedures, for which the appropriate departments are responsible at CIB.

In 2009, CIB Bank adopted and in 2010 implemented the Non-Armament Bank Policy in effect at its parent company Intesa Sanpaolo, and reviewed its customer portfolio to identify any clients suspected of being involved in arms trading, and to take the appropriate measures in respect of such customers.

In the course of its business operations, the bank group is mainly, and in the greatest extent, exposed to credit risk. The mitigation of this type of risk is achieved partly through compliance with the statutory requirements and internal limits, and partly through prudent lending and loss-provisioning practices.

Legal requirements as well as best practices of risk management are transformed into daily operations of the bank group by internal regulations. The internal regulations treat in detail the procedures related to debtor rating, limit-setting, the recognition and evaluation of collateral, loan and customer monitoring, and risk management, applicable to the various customers and customer groups. They also specify the lending-related responsibilities and duties of the individual organisational units. In keeping with the requirements of the supervisory bodies and its owner, the bank group pursues a prudent policy with regard to the assumption of risk.

The management of the lending process, from the initial customer request through the credit approval and monitoring process, to full repayment of the loan, or Workout management if unavoidable, takes place in accordance with predetermined principles. The basis of all decisions related to credit risk is the overall exposure of the CIB bank group to customers that are related to each other.

In the course of conducting its primary business activity the bank has to deal with interest-rate risk. Due to the nature of banking operations, a certain level of interest-rate risk has to be assumed, since this is one of the main potential sources of generating profit and creating value. Each year, the Board of Directors, under the supervision of the Supervisory Committee, determines the risk appetite and the corresponding limits. The appropriate risk management committees receive monthly reports on the current interest-rate risk position, the content of which is determined in the market risk management policy.

Special emphasis is also placed on the management of liquidity and cash-flow risks, due to the high importance of maintaining the Bank's solvency and ensuring the safety of customer deposits at all times. In the past year, due to the crisis that began in 2008, the bank's lending activity declined considerably. In the second part of the year, we had a considerable surplus of liquidity, which enabled us to repay to the parent bank the funds utilised during the crisis. Also as a result of the crisis, the bank group had to contend with the substantially higher costs of using the FX and basis swap market.

Of the various price risks, the bank group is predominantly susceptible to the impacts of changes in FX rates, while changes

in the equity and other prices have a lesser effect. The bank group seeks to hedge its FX positions as securely as possible: the carefully considered establishment of positions takes place as a part of the trading activities performed by the Treasury.

#### • Labour law

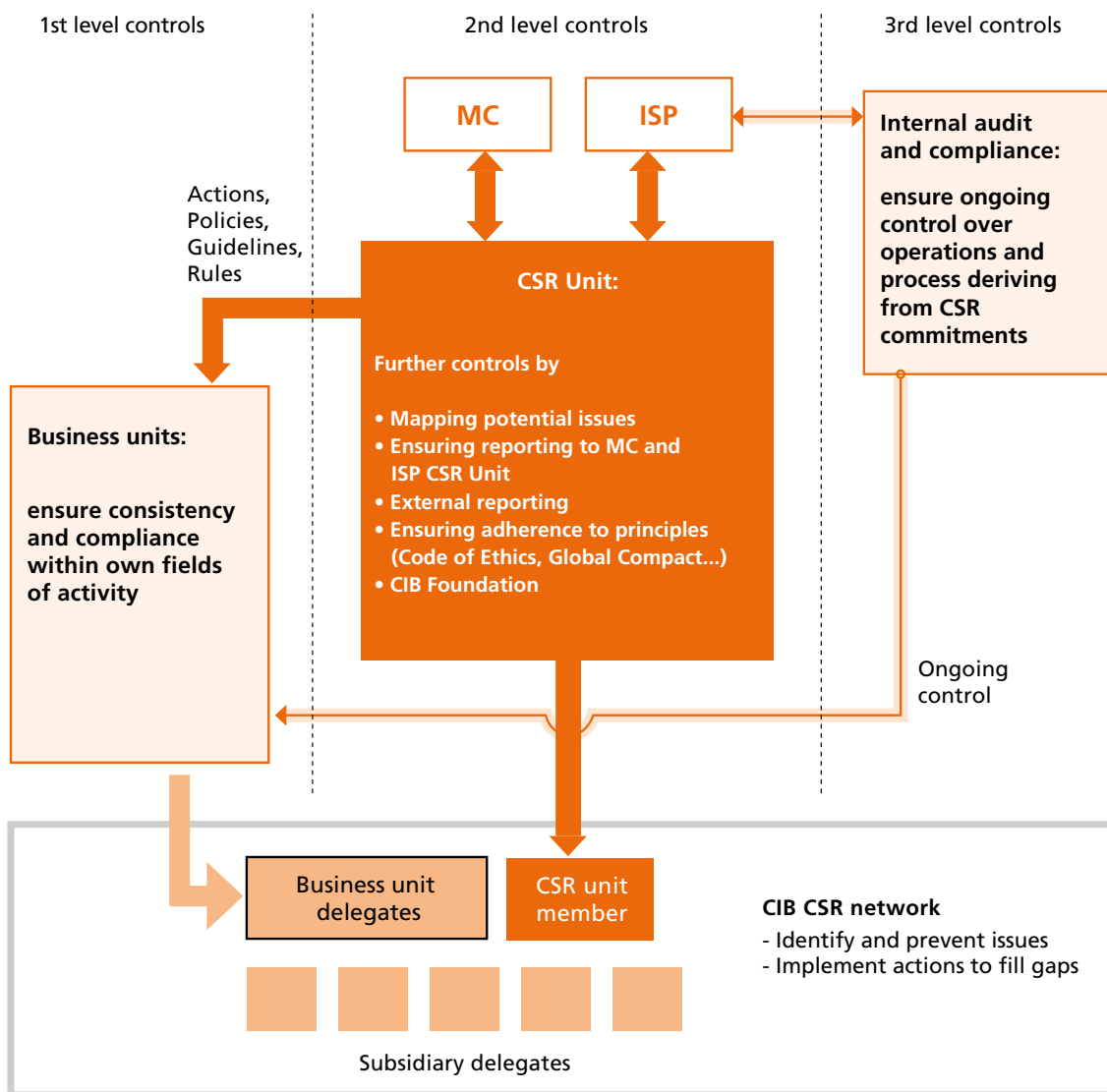
The CIB Group, as a responsible money-market participant, observes the laws relating to employment, and the relevant provisions of the Constitution of the Republic of Hungary (paragraph 70/B). By adding its signature to the UN Global Compact it has agreed to be bound by the principles set forth therein, and thus – with respect to employment – to fully comply with the passages prohibiting all forms of child labour and forced labour.

### 3.5. CSR management and communication

We established our CSR management model in 2008 and it remained unchanged in 2010. The task of the central CSR department is to coordinate and oversee the various CSR projects and initiatives, and to implement uniform internal and external CSR communication.

CSR activities have come under the direct supervision of the CEO since summer 2009, although in functional terms the related tasks were performed by the Communication department in 2010 for reasons related to the distribution of human resources. A report on CSR activities is prepared for the senior management at regular intervals, presenting the most important achievements of the previous quarter and the challenges of the following period.

#### CSR management in the CIB Group



### Stakeholder engagement

The basis of CIB's corporate social responsibility activity is the ongoing dialogue that it maintains with its stakeholders.

**Our CSR strategy drafted in 2006 defined the groups that we regard as our stakeholders as all those who may be affected by the activities and operations of the bank, and/or who may affect our company. Of these, in terms of our operation the following three groups are of critical importance: employees, customers and the owner.**

Besides these three particularly important groups, we have also identified additional stakeholders: these are the suppliers, as well as the third sector, local communities and industry organisations.

An essential part of responsible operation is the engagement of stakeholders, and maintaining a continuous dialogue with them. This makes it possible for opinions, ideas and proposals to be heard, discussed and incorporated into the bank's operation. In the course of 2010, as previously, we engaged with our stakeholders in a variety of ways, using various communication tools and a range of channels. The following are just a few examples, which are explored in more detail in the various other sections of this report:

- As part of the **Listening 100% program**, we continued to survey the opinions of our customers and assess their satisfaction using a questionnaire distributed in our branches and posted on our website.
- We requested opinions regarding the Sustainability Report, which is an integral part of our **CSR communications**, from a **panel of acclaimed experts, consisting of representatives of our various stakeholder groups**.
- In an **Employee Climate Survey**, we assessed our employees' workplace sentiment, and their opinions and attitudes regarding CIB as an employer.
- We held consultations with the **Staff Council**, especially with regard to the mass redundancies.
- We gave our employees the opportunity to actively **volunteer their services** in support of the Bátor Tábor (Camp of Courage) Foundation.
- We have launched initiatives in several towns with the aim of **improving financial literacy among the local community**.

# 4.

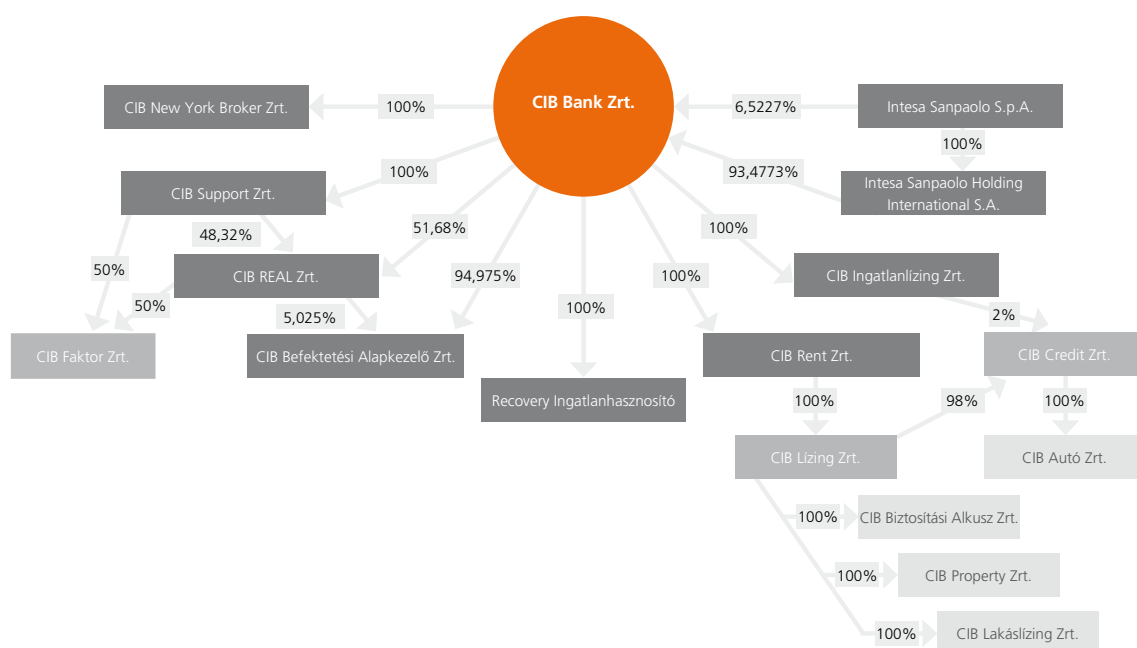
## Annexes



## 4.1.

## CIB Bank – core data

Name:	CIB Bank Zrt.	
Territory of operation:	Hungary	
Company form:	Privately-Held Joint Stock Company (Zrt.)	
Ownership structure:	Intesa Sanpaolo Holding International S.A.	93.4473%
	Intesa Sanpaolo S.p.A.	6.5227%
	As at 31 December 2010.	

Members of the CIB Group<sup>1</sup>

As at 31 December 2010.

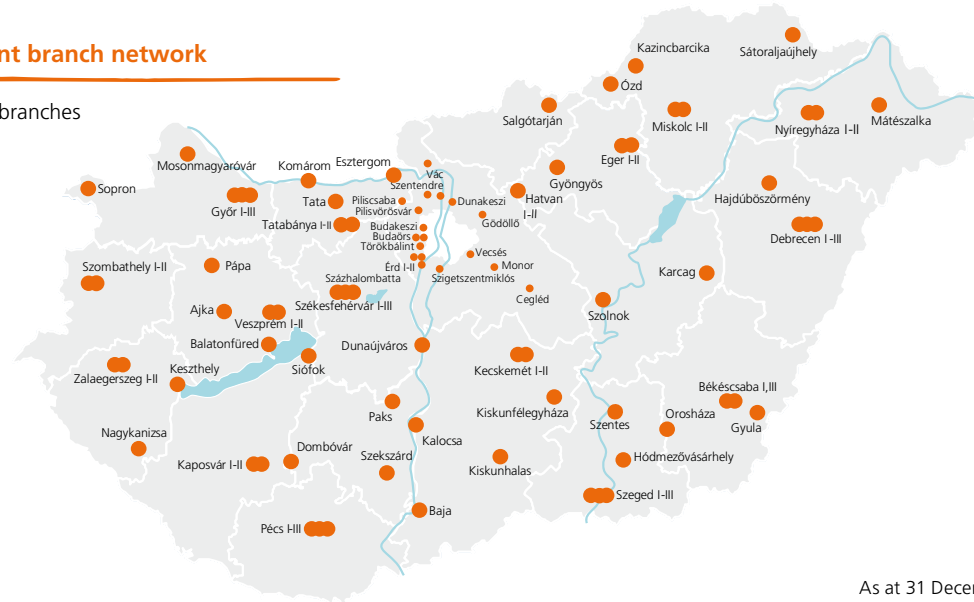
<sup>1</sup> Subsidiaries providing business services.

# 4.2.

## Branch Network

### Current branch network

● CIB branches



As at 31 December 2010.

● CIB branches

- |                       |                       |
|-----------------------|-----------------------|
| 1 – Andrássy út       | 15 – Fényes Elek utca |
| 2 – Oktogon           | 16 – Boráros tér      |
| 3 – Nyugati tér       | 17 – Ferenciek tere   |
| 4 – Szent István krt. | 18 – Rákóczi tér      |
| 5 – József krt.       | 19 – Ferenc krt.      |
| 6 – Pilvax            | 20 – Bőszörményi út   |
| 7 – Károly krt.       | 21 – Bajcsy           |
| 8 – Kálvin tér        | 22 – Szabadság tér    |
| 9 – Rózsakert         | 23 – Blaha            |
| 10 – Lövház utca      | 24 – WestEnd          |
| 11 – Medve utca       | 25 – Móricz           |
| 12 – Kékgolyó utca    | 26 – Allee Skála      |
| 13 – Hilton           |                       |
| 14 – Zöldfa           |                       |



As at 31 December 2010.

### Our presence across the country

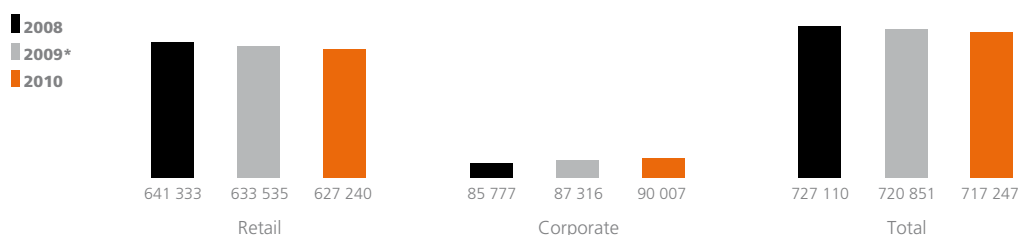
	2008	2009	2010
Bank branches	153	151	145
Representative offices	42	24	0
ATMs	228	221	211

As at 31 December.

# 4.3.

## CIB Bank in figures

### The CIB Group's clientele by segment (number of customers)



As at 31 December.

### The CIB Group's retail customers by age group (percentage)

	2008	2009	2010
0-32 years	26.5	27.0	27.6
33-42 years	26.4	26.1	26.0
43-52 years	18.5	18.2	18.1
53-67 years	22.4	22.1	21.5
Over 67 years	6.2	6.5	6.8

As at 31 December.

### The CIB Group's retail customers by length of relationship with the bank (%)

	2007	2008	2009*	2010
0-1 years	41.8	16.8	14.0	9.2
2-4 years	41.7	50.1	43.9	38.3
5-7 years	11.1	20.6	27.6	32.7
8-10 years	4.3	9.4	9.7	11.9
11-20 years	1.1	3.0	4.8	7.8
20 years or more	0.1	0.1	0.1	0.1

As at 31 December.

### Retail product usage (including micro-enterprise customers)

	2008	2009	2010
Retail loans (HUF billion)	509.2	524.4	610.7
Retail deposits (HUF billion)	597.5	734.5	649.1
Number of active bank cards	439 257	459 259	458 799
Number of customers with an active CIB Internet Bank subscription	226 779	274 632	309 081

Consolidated, IFRS data as at 31 December.

\* Updated in 2010.

### Corporate product usage

	2008	2009	2010
Corporate loans <sup>1</sup> (HUF billion)	2075.2	1834.0	1 727.7
Corporate deposits <sup>2</sup> (HUF billion)	888.3	913.6	824.5
Number of active bank cards	12 181	10 971	10 787
Number of customers with an active CIB Internet Bank subscription	16 691	13 115	11 791

Consolidated, IFRS data as at 31 December

### Distribution of the loan portfolio by sector (%)

	2009 <sup>3</sup>	2010
Commerce	10.15	10.83
Individuals	29.66	30.76
Real estate investment	24.48	23.25
Other, mainly service sector	16.34	15.58
FMCG manufacturing	2.90	2.55
Transport and communication	2.00	3.55
Light industry	2.92	2.71
Heavy industry	3.03	2.90
Financial	4.01	4.13
Agriculture	3.26	3.16
Chemical and pharmaceutical industry	1.25	0.58

Consolidated, IFRS data as at 31 December.

### Authority proceedings

- Number of proceedings launched by the various authorities, concluded in 2010 with the passing of a resolution: 20 (in 2009: 16)
- Of these, the number of proceedings in which a breach of law was found to have been committed, and a fine imposed: 13 (in 2009: 8)
- Amount of fines paid in 2010: HUF 15.9 million (in 2009: HUF 206.5 million), of which
  - HFSA fine: HUF 10,9 million (in 2009: HUF 19 million)
  - Equal Opportunities Ombudsman fine: - (in 2009: HUF 6,5 million)
  - Competition Office fine: HUF 5 million (in 2009: HUF 181 million; in 2008: HUF 90 million)

### Procedures launched by the Competition Office (GVH)<sup>4</sup>

We have two concluded proceedings to report on. In one of these, in **resolution no. VJ-74/2009/28 a fine of HUF 5 million was imposed** for misleading commercial communication, while the other related to the abuse of a position of dominance, and culminated in resolution no. **VJ-181/2007/25**. The latter resolution did not impose a fine, but only obliged us to repay excess administration charges in the case of "Otthonteremtő" home loans financed with mortgage notes.

<sup>1</sup> Excluding loans provided to members of the CIB Group.

<sup>2</sup> Excluding deposits collected from members of the CIB Group.

<sup>3</sup> The 2009 data has been recategorised.

<sup>4</sup> In 2008 the GVH imposed a fine of HUF 90 million for misleading advertising; there is no comparable data from 2007.

**Number of employees of the CIB Group**

	2008	2009	2010
Fixed term	144	99	82
Indefinite term	3 513	3 180	2 627
<b>Total</b>	<b>3 657</b>	<b>3 279</b>	<b>2 627</b>

Number of part-time employees:	37	As at 31 December.	
Number of employees with congenital disabilities:	4		
Number of employees with acquired disabilities:	22		
Number of agency employees:	51		

**The CIB Group's employees by age and gender (percentage)**

	2008	2009	2010
Male, under 30	11.7	10.5	8.8
Female, under 30	24.4	25.6	17.7
Male, 30-50	20.8	18	23.6
Female, 30-50	36.3	40.4	43.4
Male, over 50	1.7	1.4	1.5
Female, over 50	5.1	4	4.9

As at 31 December.

**The CIB Group's employees by level of formal qualification (%)<sup>1</sup>**

	2008	2009	2010
University	23.5	47.8	50.9
College	30.2	49.5	47.2
Other <sup>2</sup>	46.3	2.7	2.5

As at 31 December.

**The CIB Group's employees by professional status (%)**

	2008	2009	2010
Executive male	4.9	5.1	5.5
Executive female	2.4	2.3	3.7
Specialist male	9.4	9.8	9.0
Specialist female	9.0	9.7	9.5
Subordinate male	19.9	18.9	19.4
Subordinate female	54.4	54.2	52.9

As at 31 December.

**Proportion of males and females at the individual levels of seniority (%)**

	Male	Female
Executives	59.5	40.5
Specialists	48.7	51.3
Subordinates	26.9	73.1

**The CIB Group's employees by geographical location (%)<sup>3</sup>**

	2010
Budapest	2 627
North-East Hungary Region	178
North-West Hungary Region	170
South-East Hungary Region	173
South-West Hungary Region	117

As at 31 December.

<sup>1</sup> The substantial difference in the figures is the result of database cleaning. In 2007 and 2008 the "other" category included those employees in respect of whom detailed information pertaining to formal qualifications was not available at the time of requesting the data.

<sup>2</sup> Grammar school/sixth-form college (gymnasium), vocational secondary school, technical college, skilled-worker training

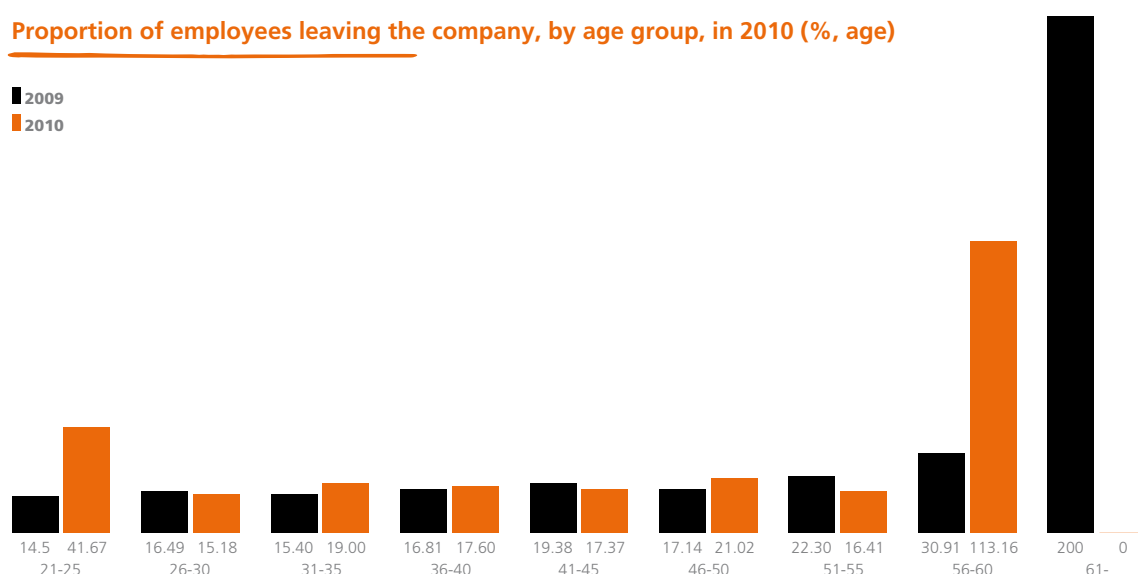
<sup>3</sup> Due to changes in the regions, the data is not suitable for comparison with that of previous years.

**Proportion of employees leaving the company (% , number of outgoing employees/year-end headcount)**

	2008	2009	2010
Proportion of employees leaving the company	20.4	17.14	19.3

**Proportion of employees leaving the company, by age group, in 2010 (% , age)**

■ 2009  
■ 2010

**Proportion of employees leaving the company, by gender, %**

	2009	2010
Male	19.01	23.8
Female	16.19	16.9

**Employee turnover in the CIB Group (no. of persons)**

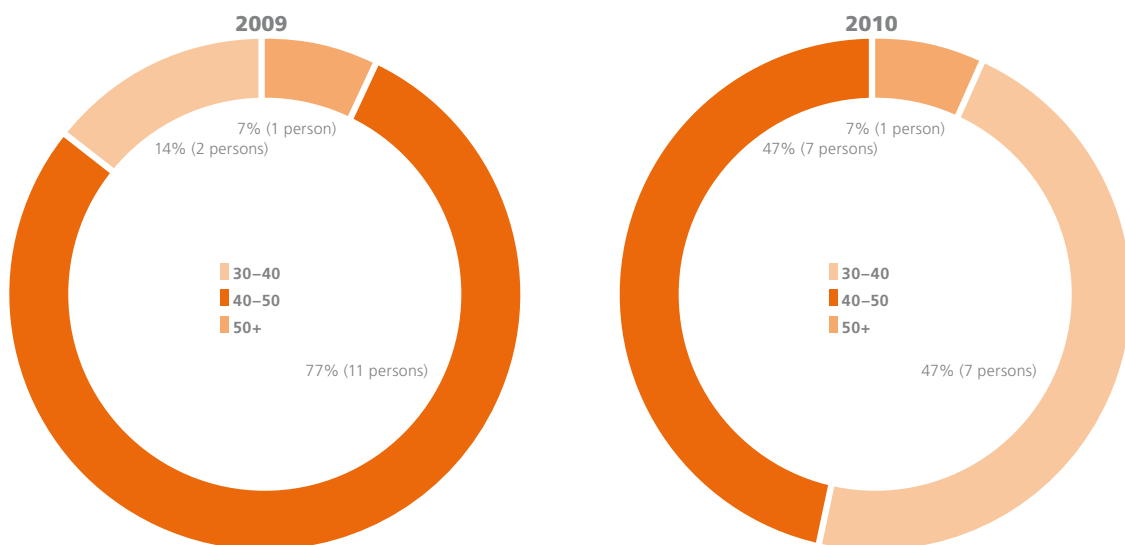
	2008	2009	2010
Employees joining	889	230	476
Employees leaving	747	562	598

As at 31 December.

**Composition of the Board of Directors by age group (percentage, number of persons)**

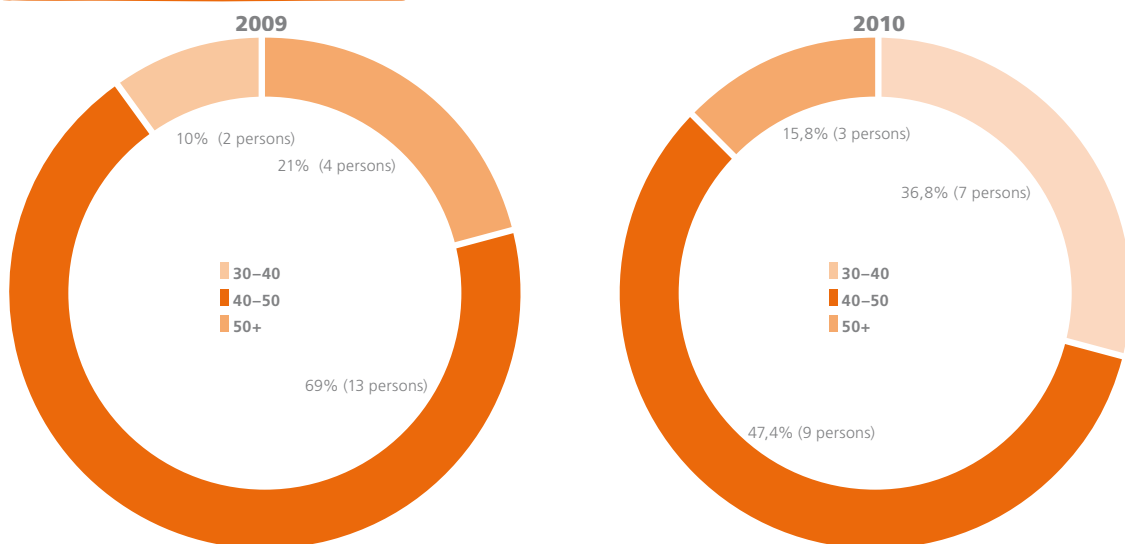
As of 31 December.

### Composition of the Management Committee by age group (percentage, number of persons)



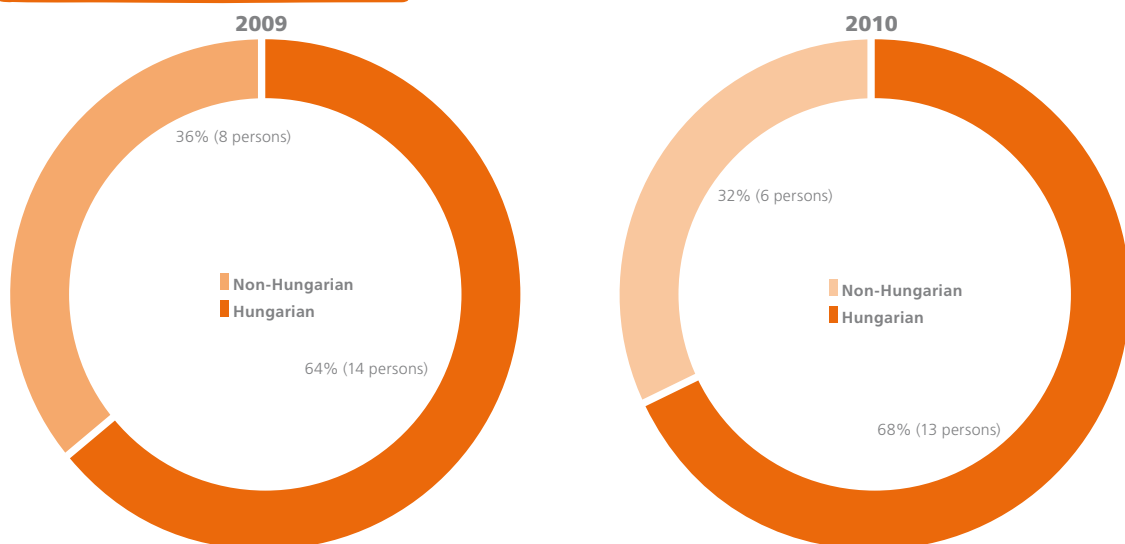
As of 31 December.

### Board of Directors and Management Committee combined (% , number of persons)



As of 31 December.

### Proportion of Hungarian citizens within the Board of Directors and the Management Committee (% , persons)<sup>1</sup>



As of 31 December.

<sup>1</sup> Executives that sit on both committees have been counted twice. The data is not suitable for comparison with the data from previous years, when the same indicator was measured for a different group of senior executives. In 2008, the proportion of local executives within the senior management was 94%.

The average monthly salary in 2010 for career starters recruited by the bank was HUF 231 270, or 258% of the statutory minimum wage. In 2009, at gross HUF 211 450, it amounted to 236% of the statutory minimum wage, while in 2008, calculated at HUF 259 650, it represented 313% of the statutory minimum wage. The base for calculation is the annual statutory minimum wage for jobs requiring professional qualifications.

#### Men's and women's average basic annual salaries by professional status (HUF million)

	2008	2009	2010
Executive male	13.54	13.32	12.30
Executive female	11.89	12.44	10.63
Specialist male	7.08	7.22	7.66
Specialist female	6.91	6.93	7.03
Subordinate male	3.77	3.92	4.01
Subordinate female	3.35	3.46	3.47

As at 31 December.

#### Accidents at work and the number of working days lost as a result (days)

	2008	2009	2010
Number of accidents at work	12	8	6
Number of working days lost	161	106	726

As at 31 December.

#### Absenteeism by reason for absence (%)<sup>1</sup>

	2008	2009	2010
Illness	28.4	26.7	26.2
Accident	0.2	0.1	0.1
Maternity leave	63.8	61.5	60.9
Other	7.6	11.7	12.8

As at 31 December.

<sup>1</sup> As a proportion of total days worked.



# Membership of associations

Hungarian Banking Association  
 Hungarian SEPA Association  
 Association of Securities Dealers  
 Budapest Chamber of Commerce and Industry  
 Alliance for Electronic Commerce (SzEK)  
 Joint Venture Association  
 Hungarian Forex Society  
 International Chamber of Commerce  
 ACCA  
 Hungarian Institute of Internal Auditors  
 Information Systems Audit and Control Association (ISACA) Hungary  
 Hungarian Economics Association  
 IIF  
 Hungarian Advertising Association  
 Hungarian Self-Regulatory Advertising Board  
 KÖVET Association for Sustainable Business Management

## 4.4.

# Awards and accolades

- **CSR 24/7 ranking:** The CIB Group came first among Hungary's financial institutions in the ranking of companies in terms of CSR best practice
- **CSR Best Practice:** awarded by the Hungarian Public Relations Society
- **User-friendly website** – Hungarian Content Industry Association

# 4.5.

## Compliance with the principles of the UN Global Compact

Global Compact principles	Our performance	Related GRI indicators
<b>Human Rights</b>		
1. Business should support and respect the protection of internationally accepted human rights.	<ul style="list-style-type: none"> <li>• We have made a commitment to protect human rights in accordance with the 1948 Universal Declaration on Human Rights. We expect all of our Hungarian and foreign partners to do the same.</li> <li>• In the course of its operation our bank fully respects the Hungarian Constitution and all other general domestic and international treaties on human rights and ethics.</li> <li>• We treat protecting the personal data of our customers as a key priority; we investigate complaints related to data handling, and take steps to reduce the number of complaints to a minimum. In 2010 only 11 complaints were received.</li> <li>• We provide our employees with fair and satisfying working conditions and pay, as well as with a wide range of other benefits (see section 2.2.). The average starting monthly salary is almost three times the statutory minimum wage.</li> </ul>	<ul style="list-style-type: none"> <li>• 4.8</li> <li>• EC5</li> <li>• LA7, LA8, LA13, LA14</li> <li>• PR8</li> </ul>
2. Business should make sure they are not complicit in human rights abuses.	<ul style="list-style-type: none"> <li>• In 2010 we continued with the implementation of the Code of Ethics, and the Code of Conduct that is based on it. One of the most important steps taken in-house was the drafting of the new code of ethical conduct, which will be introduced in 2011.</li> <li>• We are committed to eliminating all forms of discrimination, and to respecting differences in gender, age, race, religion, political and trade-union alignment, and differences in language, and to respecting the rights of those with disabilities.</li> <li>• In 2010 we continued with the barrier-free conversion of bank branches, at several branches we launched the procedure to obtain the planning permission for such conversions, and we also carried on with the installation of easier-to-use ATMs.</li> </ul>	<ul style="list-style-type: none"> <li>• 4.8</li> <li>• HR6, HR7</li> <li>• FS14</li> </ul>
<b>Labour</b>		
3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<ul style="list-style-type: none"> <li>• A trade union has been established to represent the interests of employees, which had 323 members at the end of 2010.</li> </ul>	<ul style="list-style-type: none"> <li>• LA4</li> </ul>
4. Business should eliminate all forms of forced and compulsory labour.	<ul style="list-style-type: none"> <li>• The Bank abides by the laws of the land, and the relevant provisions of the Hungarian Constitution (70/B).</li> <li>• We have made a commitment to protect human rights in accordance with the 1948 Universal Declaration on Human Rights.</li> </ul>	<ul style="list-style-type: none"> <li>• HR7</li> </ul>

- |   |  |  |
|---|--|--|
| <p>5. Business should be effective in abolishing child labour. and</p> <p>6. Business should eliminate discrimination in employment and occupation.</p> | <ul style="list-style-type: none"> <li>• Our bank abides by the laws of the land and the relevant paragraphs of the Hungarian Constitution (70/B).</li> <li>• We declared in our Code of Ethics that we are committed to eliminating all forms of discrimination from our conduct and to respecting differences in gender, age, race, religion, political and trade-union alignment, and language, and to respecting the rights of those with disabilities.</li> <li>• Our organisation is willing to appoint physically disabled staff to certain positions. In 2010 a total of 22 persons with acquired disabilities and five with congenital disabilities worked at the CIB Group.</li> <li>• We place emphasis on achieving equality between the sexes: the difference between men's and women's wages is considerably smaller than both the Hungarian and the European average. Our long-term objective is to fully comply with the principle of "equal pay for equal work".</li> </ul> | <ul style="list-style-type: none"> <li>• HR6</li> <li>• 4.8</li> <li>• LA13, LA14</li> </ul> |
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#### Environment

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| <p>7. Business should support a precautionary approach to environmental challenges.</p>                     | <ul style="list-style-type: none"> <li>• We aim to use all our resources sparingly. In this regard we promote conduct that is based on the best use of resources and on the avoidance of waste and ostentation. We give priority to solutions that have been designed with sustainability in mind.</li> <li>• In certain of our contracts we stipulate that in the course of contractual performance the supplier is obliged to use environmentally friendly technologies, and sustainable products and materials, and to make efforts to recycle the waste that is generated.</li> <li>• We have launched numerous initiatives aimed at reducing energy and water consumption (for details, see section 2.5), including the installation of solar panels on the roofs of our central office buildings, in order to cut down on the use of non-renewable energy sources.</li> </ul>  | <ul style="list-style-type: none"> <li>• EN8, EN18, EN26</li> <li>• FS1</li> </ul> |
| <p>8. Business should undertake initiatives to promote greater environmental responsibility.</p>            | <ul style="list-style-type: none"> <li>• In July 2010 we launched the CIB Bike Sharing program to promote cycling among our employees, primarily as a means of travelling between our head offices. Besides making it easier for our employees to get around, the program also contributed to reducing our ecological footprint and reinforcing our image as an environmentally aware bank. At the launch of the program we made eight CIB bicycles available at three head offices and two provincial branches (Pécs and Debrecen).</li> <li>• Also last year, on several occasions, we held week-long internal communication campaigns related to environmental awareness topics. On every working day of the week we explored a different topic via the intranet, which is accessible via the internal network. The issues discussed spanned the most important questions related to paper use, energy consumption, environmentally aware transportation and waste management, and employees were also provided with useful advice and practical tips.</li> </ul> | <ul style="list-style-type: none"> <li>• EN5, EN18, EN26</li> </ul>                |
| <p>9. Business should encourage the development and diffusion of environmentally friendly technologies.</p> | <ul style="list-style-type: none"> <li>• We endeavour to assume a role in the promotion of environmentally sound energy use, and for this reason we support the efforts and work of our colleagues and various civic organisations.</li> </ul>   | <ul style="list-style-type: none"> <li>• EN5, EN18</li> </ul>                      |

#### Anti-corruption

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| <p>10. Business should work against corruption in all its forms, including extortion and bribery.</p> | <ul style="list-style-type: none"> <li>• Our bank abides by the laws of the country.</li> <li>• Our bank has approved the Code of Ethics and the Code of Conduct which sets forth the standards of behaviour that are expected of our employees, and also makes separate reference the prohibition of corruption.</li> <li>• All employees of the CIB Group have received training in the prevention of money laundering and conflicts of interests, through the e-learning interface (MultiLearn) accessible via the internal network.</li> </ul> | <ul style="list-style-type: none"> <li>• 4.8</li> <li>• SO3</li> </ul> |
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# GRI Index

Indicator	Brief description	Page number
<b>1</b>	<b>Strategy and analysis</b>	
1.1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	page 7.
1.2	Description of key impacts, risks and opportunities	page 7.
<b>2</b>	<b>G3 profile disclosures</b>	
2.1	Name of the organisation	page 41.
2.2	Primary brands, products and/or services	pages 32., 43.
2.3	Operational structure of the organisation, including main divisions, operational companies, subsidiaries and joint ventures	page 41.
2.4	Location of the organisation's headquarters	page 57.
2.5	Countries where the organisation operates	page 41.
2.6	Nature and legal form of ownership	page 41.
2.7	Markets served	page 42.
2.8	Size of the reporting organisations: number of employees; net sales; total capitalisation broken down in terms of debt and equity; quantity of products manufactured or value of services provided	pages 3., 43–44.
2.9	Significant changes in size, structure or ownership, during the reporting period	page 57.
2.10	Awards and prizes received during the reporting period	page 49.
<b>3</b>	<b>Report parameters</b>	
3.1	Reporting period	page 57.
3.2	Date of most recent report	page 57.
3.3	Reporting cycle	page 57.
3.4	Contact point for questions regarding the report or its content	page 58.
3.5	Process for defining report content	page 57.
3.6	Boundary of the report	page 57.
3.7	Presentation of any specific limitations on the scope or boundary of the report	page 57.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	page 57.
3.9	Data measurement techniques and the bases of calculations	page 57.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement	page 57.

3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	page 57. oldal
3.12	GRI Content Index	pages 52-56.
3.13	Policy and current practice with regard to seeking external assurance for the report	page 57.
<b>4</b>	<b>Governance, Commitments and Engagement</b>	
4.1	Governance structure of the organisation	pages 32-34.
4.2	Whether the Chair of the highest governance body is also an executive officer	page 33.
4.3	The number of members of the highest governance body that are independent	page 33.
4.4	Mechanisms for shareholders and employees to provide recommendations for direction to the highest governance body	page 33.
4.5	Link between compensation for members of the highest governance body, senior managers, and executives, and the organisation's performance	page 34.
4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided	page 47.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social issues	page 34.
4.8	Internally developed statements of mission or values relevant to economic, environmental and social performance	page 2.
4.9	Procedures of the highest governance body for overseeing the identification and management of economic, environmental and social performance	page 38.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	page 34.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	pages 34-35.
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	page 50.
4.13	Memberships in associations (such as industry/sector associations) and/or national/international advocacy organisations	page 49.
4.14	List of stakeholder groups engaged by the organisation in any form of dialogue	page 39.
4.15	Method and principles for selection of the stakeholder groups	page 39.
4.16	Approaches to stakeholder engagement	page 39.
4.17	Key topics and concerns that have been raised through stakeholder engagement	page 39.
<b>5</b>	<b>Management approach</b>	Typically described in the introduction to the individual sections

**EC Economic performance indicators**

EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	page 11.
EC4	Significant financial assistance received from government	page 10.
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation (national data available)	page 48.
EC6	Proportion of spending on locally-based suppliers	page 22.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	pages 34., 47.

**LA Labour practices and decent work**

LA1	Total workforce by employment type, employment contract and region	page 45.
LA2	Total employee turnover	page 46.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	page 18.
LA4	Percentage of employees covered by collective bargaining agreements	No collective bargaining agreement
LA7	Rate of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	pages 45., 48.
LA8	Education, training, counselling, prevention and risk-control programs in place regarding serious disease	pages 18-19.
LA10	Annual average number of training hours per year per employee by employment category	page 20.
LA11	Programs for skills management and lifelong learning	page 19.
LA12	Percentage of employees receiving regular performance and career development reviews	page 34.
LA13	Composition of governance bodies and breakdown of employees by gender, age group, minority group membership and other indicators of diversity	pages 33., 45-47.
LA14	Ratio of basic salary of men to women by employee category	page 48.

**HR Human Rights**

HR6	Measures taken to contribute to the elimination of child labour	page 38.
HR7	Measure contributing to the elimination of forced or compulsory labour	page 38.

<b>PR</b>	<b>Product responsibility</b>	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	page 16.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	page 16.
PR7	Fines incurred for non-compliance with ethical codes related to marketing communication	page 44.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	page 17.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	page 44.
<b>SO</b>	<b>Society</b>	
SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures	page 37.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	page 37.
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes	page 44.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	page 44.
<b>EN</b>	<b>Environmental performance indicators</b>	
EN3	Direct energy consumption by primary energy sources	page 27.
EN4	Indirect energy consumption by primary energy sources	page 27.
EN5	Energy saved due to conservation and efficiency improvements	page 27.
EN8	Total water withdrawal	page 27.
EN16	Total direct and indirect greenhouse gas emissions by weight	page 28.
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved	page 28.
EN22	Total weight of waste by type and disposal method	page 29.
EN26	Initiatives to mitigate environmental impacts of products and services	page 29.

**Indicators specific to the financial sector**

FS1	Policies with specific environmental and social components applied to business lines	page 35.
FS5	Interactions with clients and business partners regarding environmental and social risks and opportunities	page 26.
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	pages 10., 44.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	page 36.
FS14	Initiatives to improve access to financial services for disadvantaged people	page 17.
FS16	Initiatives to enhance financial literacy by type of beneficiary	pages 23-24.



# About this report

**Reporting period:** calendar year 2010

**Date of previous report:**

July 2010 (comprehensive report – GRI B+)

**Reporting cycle:** annual

**GRI application level B**

The report contains information regarding the CIB Group's organisational units and subsidiaries in Hungary. In all cases the data is group-level data, except where specifically stated otherwise. When determining the content of the report we relied to a significant extent on the comments and expectations expressed by the panel of stakeholders held in July 2010.

In accordance with the findings, we shifted our focus back to addressing the issue of the financial crisis, and presenting our responses to the crisis and the changes in the bank's organisation. Besides this, we naturally also give an account of our long-term initiatives launched in the interests of ensuring sustainable operation from an economic, social and environmental perspective. We have made every effort to disclose all the key information necessary for assessing the extent of our corporate social responsibility. We paid special attention to ensuring that the raw data, indicators and comparative tables presenting the changes over a three-year period are accompanied by explanations to assist in interpreting the figures, and where possible we used case studies to illustrate the underlying factors related to data, decisions or objectives, and the reasons for changes. The scope and

boundary of the report, and the measurement techniques applied, have not changed significantly in comparison to the previous reporting period.

Our economic data has been stated in accordance with the provisions of the currently effective Accounting Act and the requirements of the Intesa Sanpaolo Group, while the social and environmental information is from the company's internal data recording system. Unless indicated otherwise, the figures have been arrived at through measurement or calculation. The report only contains re-statements of previously disclosed information where this is necessary in order to comply with the GRI guidelines. To ensure comparability over time, the quantitative data used to describe our operations is given for a period spanning three years. Where this is not the case, we have specified the reasons separately. Where this is not the case, we have specified the reasons separately, and have attempted to find benchmarks, but the availability of sector-wide data is very limited both domestically and internationally. Descriptions of the data measurement techniques applied, and the bases for calculation, as well as the reasons for any restatements of data disclosed in previous are specified in the detailed description of the given data item.

In contrast to last year, this year's report was not externally assured; however, in the course of preparing the report we incorporated all the expectations of the previous year's assurance process. We place to have the report on the 2011 financial year externally assured once again.

The report also gives an account of our efforts to uphold the principles set forth in the UN Global Compact.

# Imprint

**Text:**

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**Publisher:**

Róbert Kanizsai

**Date of finalisation of manuscript:**

31 May 2011

Our thanks go to all employees of the CIB Group for their help in preparing this report.

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