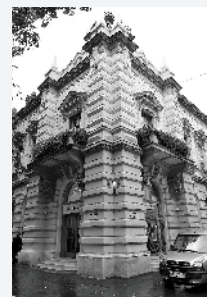
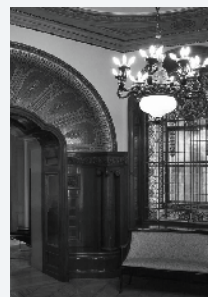


# Sustainability Report

## 2008





**CIB Group  
Sustainability Report  
2008**

## Our values

### ***Integrity***



We pursue our goals with honesty, fairness and responsibility in full and true respect of the rules and professional ethics and in the spirit of signed conventions and agreements.

### ***Excellence***



We set ourselves the goal of continuous improvement, farsightedness, anticipating challenges, and cultivating extensive creativity aimed at innovation; moreover, we recognise and reward merit.

### ***Transparency***



We are committed to making transparency the basis of our actions, advertising and contracts in order to allow all our stakeholders to make independent and informed decisions.

### ***Respect for specific qualities***



It is our intention to harmonise global operations with special local requirements and to be a bank with a broad vision, never losing sight of the individual.

### ***Equality***



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.

### ***Values of the individual***



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.

### ***Responsibility in the use of resources***



We aim to use all our resources sparingly, promote behaviour based on the best use of resources and the avoidance of waste and ostentation, and we give priority to those solutions that take sustainability into account.

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## Key performance indicators of the CIB Group

|  |                           |
|--|---------------------------|
| Number of customers  | <b>727,110</b>            |
| Number of employees  | <b>3,657 persons</b>      |
| Percentage of female employees                                 | <b>66%</b>                |
| CO <sub>2</sub> emissions from energy consumption per employee | <b>3.24 tons</b>          |
| Energy consumption per employee                                | <b>29.5 GJ</b>            |
| Total waste generated  | <b>29,688 kg</b>          |
| Amount spent on supporting public-benefit organisations        | <b>HUF 62.6 million</b>   |
| Total economic value added – distributed                       | <b>HUF 85.029 billion</b> |
| Percentage of domestic suppliers                               | <b>98.17%</b>             |
| Number of trade union members                                  | <b>355 persons</b>        |

*As of 31 December 2008*

## Achievements of 2008 – “Thinking ahead with you”

- On 1 January 2008, CIB Bank and Inter-Európa Bank (IEB) successfully merged, creating the second-largest credit institution in Hungary.
- On 18 April 2008 the Euclid Network of third-sector leaders, with CIB Bank as chief sponsor, held its first conference in Central and Eastern Europe, entitled: *“Innovative Local Development Methods in Central and Eastern Europe”*.
- In April, CIB Bank’s Board of Directors approved the parent bank’s Code of Ethics and Code of Conduct, which apply to all members of the international banking group.
- In June-July, CIB was the first bank in Hungary to install life-saving automatic defibrillators in six of its central buildings in Budapest, and in four of its main provincial branches.
- From 14 July the CIB Group unveiled its new corporate image. The purpose of the makeover was to reinforce the message that CIB is a member of one of Europe’s leading bank groups.
- The CIB Group participated in the Good CSR 2008 program.
- In October 2008, the CIB Group joined the United Nations Global Compact.
- From the end of the year, CIB Bank introduced two new account packages, at a low monthly fee, specifically for non-profit organisations.
- In the course of the year CIB Bank’s CSR organisation made preparations for the drafting, in 2009, of guidelines for customer service employees pertaining to their conduct when dealing with disabled customers. The key stakeholder groups concerned, and the organisations that represent them, will be involved in the process of elaborating the recommendations.
- The implementation of the Code of Ethics within the organisation began in the second half of 2008 in the form of an internal communication campaign, to be continued with even greater intensity in 2009.

# Our commitments and their fulfilment

- ■ ■ ■ Fulfilled  
 ■ ■ ■ □ In progress  
 ■ ■ □ □ Partially fulfilled, project closed  
 ■ □ □ □ Not yet fulfilled

## 2008

| Commitment   | Fulfilment status  |
|--|--------------------|
| <b>Corporate governance</b>  |                    |
| Establishment of an independent CSR strategic department   | ■ ■ ■ ■            |
| <b>For our employees</b>   |                    |
| Implementation of the Code of Ethics and Code of Conduct   | ■ ■ ■ □            |
| Restructuring of the incentives system: <ul style="list-style-type: none"> <li>● Adoption of an on-line performance management system</li> <li>● Performance appraisal system in the retail banking division</li> </ul>  | ■ ■ □ □<br>■ ■ ■ ■ |
| Strengthening of organisation development  | ■ ■ ■ □            |
| Development of internal communication <ul style="list-style-type: none"> <li>● We will further raise the efficiency of internal information flow through the development of new tools and the enhancement of existing ones. As a part of this, we are making further improvements to the intranet, and redesigning our internal newsletter.</li> </ul>                 | ■ ■ ■ ■            |
| Establishment of the CIB Trade Union   | ■ ■ ■ ■            |
| Introduction of “mini executive health screenings” for all employees   | ■ ■ ■ ■            |
| Development of language training   | ■ ■ ■ ■            |
| <b>Customers</b>   |                    |
| Launch of stakeholder dialogue <ul style="list-style-type: none"> <li>● Under a pilot scheme, in autumn 2008 we plan to engage in a stakeholder dialogue with a selected customer group, moderated in accordance with the international standards.</li> </ul>  | ■ □ □ □            |
| Expanding the scope of customer satisfaction surveys <ul style="list-style-type: none"> <li>● From 2008 we will conduct quarterly internal surveys aimed at assessing the extent to which CIB Customers are satisfied with the bank’s branches.</li> <li>● Our plans also include the regular holding of customer satisfaction surveys among SME customers.</li> </ul> | ■ ■ ■ ■<br>■ ■ ■ □ |
| Development of account products for non-profit organisations   | ■ ■ ■ ■            |
| Development of external CSR communication <ul style="list-style-type: none"> <li>● We plan to launch independent CSR sections of the bank’s website.</li> </ul>  | ■ ■ ■ ■            |

|   |         |
|---|---------|
| <b>Suppliers</b>  |         |
| Continuing to leverage the opportunities inherent in the SAP environment.   | ■ ■ ■ □ |
| We will audit and rate our ten largest suppliers.   | ■ ■ ■ □ |
| <b>Community relations</b>  |         |
| Launch of stakeholder dialogue with the NGO sector<br>● We will engage in a structured dialogue with certain members of the NGO sector, to gain a better understanding of the needs of the local communities.   | ■ ■ ■ ■ |
| Broadening the scope of information provided regarding the Foundation's activities<br>● We will launch the website of the CIB Corporate Social Responsibility Foundation, to provide interested parties with precise and up-to-date information regarding our activities.   | ■ ■ ■ ■ |
| Review of the Foundation's operation<br>● We will review the activities of the CIB Corporate Social Responsibility Foundation to date, and make changes where necessary.  | ■ ■ □ □ |
| <b>Environment</b>  |         |
| Selective collection of paper waste<br>● To facilitate the selective collection of paper waste we will install special bins at the new office building in Medve utca and the head office in Petrezselyem utca. In 2008, besides the two office buildings mentioned above, we plan to install similar receptacles at the old head office in Medve utca, and the office building in Szabadság tér.  | ■ ■ ■ ■ |
| Increase in the number of bicycle storage racks<br>● In response to the steady rise in the number of employees who choose to travel to work by bicycle, expansion of the bicycle storage facilities is already under way. In April 2008, facilities for storing an additional 24 bicycles will be constructed in the new Medve utca office building, and for 15 more bicycles in the Szabadság tér building. Changing lockers will also be installed for the benefit of cyclists.                                       | ■ ■ ■ □ |
| Environmentally friendly vehicle fleet<br>● A tender for the procurement of new company vehicles is scheduled for 2008, and for this reason in the course of selecting the vehicles – besides aiming to achieve cost reductions – environmental aspects will also be taken into consideration.  | ■ ■ □ □ |
| Installation of ATMS suitable for use by the blind and partially sighted<br>● In the interests of ensuring equal opportunities, from 2008 the controls of all newly installed ATMs will be labelled in Braille, and will be fitted with a speech synthesis module. The new functions will make the numbers displayed by the machine "visible" and audible even to the blind and partially sighted, and to raise the level of security the new "talking" ATMs will also be equipped with a headphone socket for privacy. | ■ ■ ■ □ |



# 2009

| Commitment   |
|--|
| <b>Corporate governance</b>  |
| Organisational implementation of the Code of Ethics and Code of Conduct                                |
| Organisational implementation of the Code of Ethics and Code of Conduct                                |
| Continued strengthening of compliance operations   |
| Approval of a non-arms policy  |
| Review of Credit Policy, and incorporation of CSR considerations                                       |
| Introduction of group-level governance   |
| Review of organisational effectiveness   |
| Development of a GRI database system to ensure more effective reporting                                |
| <b>For our employees</b>   |
| Continued internal communication of the Code of Ethics and Code of Conduct                             |
| Internal training support for the Listening 100% program   |
| Continuation of management training courses  |
| Strengthening of language training courses   |
| Continuation of orientation training courses   |
| Continuation of extended health screening programs   |
| Drafting of a workplace travel plan  |
| <b>For our customers</b>   |
| Launch of structured stakeholder dialogue  |
| Expanding the scope of customer satisfaction surveys   |
| Further strengthening of the Listening 100% program  |
| Further strengthening of external CSR communication  |
| <b>For our suppliers</b>   |
| Continuing to leverage the opportunities inherent in the SAP environment                               |
| <b>Community relations</b>   |
| Continuation of stakeholder engagement in respect of key issues  |
| Holding of a voluntary-work day  |
| Broadening the scope of information provided by the Foundation, additional enhancements to the website |
| Changes to the operation of the Foundation   |
| <b>For our environment</b>   |
| Development of a more comprehensive selective waste collection system in the CIB head offices.         |
| Support for alternative ("green") modes of transport   |
| Initiatives and measures aimed at cutting down on energy consumption                                   |



## Message from the Chairman

### *A RESPONSIBLE BANK, WITH FIRM VALUES*

*This is our third sustainability report. The CIB Group's report this year reflects a long-term, strategic approach, the basis for which is a harmonious balance between our business operations and corporate social responsibility, in the interests of ensuring a sustainable future.*

*The cornerstone of our strategy related to sustainable development is that in contrast to the majority of market participants, the CIB Group strives to adopt a fundamentally different approach to structuring its CSR activities, as we primarily work not on reactive, but on forward-looking initiatives that are developed based, in part, on the views and expectations of our stakeholders, and which will perhaps only bear fruit following the passing of several years.*

*In order to be aware of the types of problems that concern our stakeholders, we have to engage them in an ongoing dialogue. Today it has become clear that the global financial system and the world economy are undergoing their most serious crisis since the Great Depression of 1929. Naturally, the liquidity and credit crisis has also left its mark on the real economy. As a responsible credit institution, we must respond to these challenges in a way that assists the hardest-hit of our customers in weathering what is, for them too, a most trying period. CIB Bank not only participated actively in the work to assist the government in devising appropriate solutions to the problems that arose, but also developed and introduced several of products of its own that were made available to our customers only.*

*Returning to the Sustainability Report; when compiling our report for 2007 we took special care to ensure that it offers a means of identifying and mapping, even more precisely than before, our social and environmental responsibilities, and imparting this information to our stakeholders, especially our employees. Our efforts were rewarded with success, as the CIB Group won the "Green Frog" award, presented by Deloitte in recognition of the best sustainability report published in Central Europe. As we also noted in relation to last year's report, all of these achievements reflect our employees' commitment to and faith in the future. However, we are fully aware that CSR is about much more than just winning awards: it is the culmination of our constant efforts to ensure the sustainability of our development. Therefore in our report for 2008 we have set ourselves the objective of publicly disclosing even more quantifiable information, and placing an even greater emphasis on complying with the applicable standards of accountability.*

*These, however, are issues for the future. The purpose of this report is to give an account of last year's results. Please read through it 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

## Our operating environment

In this section, before going on to give a detailed account of the CIB Group's performance over the past year, we provide an overview of the most notable changes that have occurred in our external operating environment.

This is important, because it is only with an understanding of the broader context that we can conduct a meaningful assessment of the work we have performed and of the tasks that lie before us. A full and detailed presentation of our business environment and the Bank's business performance in the past year is contained in our Annual Report.

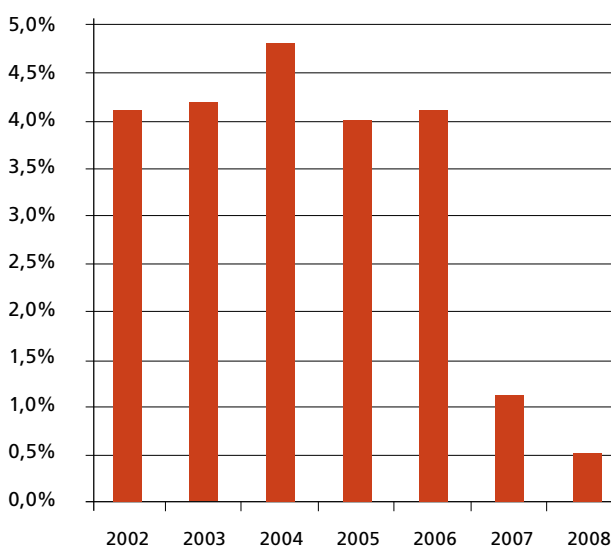
### A year of exceptional challenges

The Hungarian economy had a difficult year in 2008. Although the government's adjustment package eventually brought about a substantial improvement in the nation's financial equilibrium in 2007, this came at the price of a marked slowdown in growth, accompanied by a substantial fall in real wages and rising inflation. The crisis that began in the US subprime market affected domestic trends only to a limited extent in 2007; however, it deepened further in 2008, and emerging markets, and hence our region too, Hungary included, were unable to effectively shield themselves from its negative impacts.

Hungary is deeply embedded in the European Union, both financially and in respect of its trading relations, and therefore any lingering illusions that Hungary might only be exposed to vicarious and moderate effects of the crisis had to be abandoned last autumn. What made the situation worse was that the external shocks hit the country's economy at a time when it was already in a considerably weakened state.

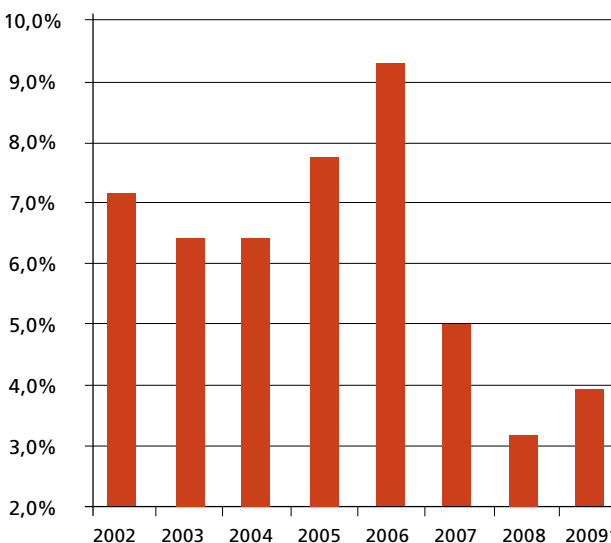
From mid-2007 the economy had been showing signs of slow recovery, and this trend continued into the first half of 2008. A 1.1% increase in GDP in 2007 was followed by an annualised 1.7% in the first quarter of 2008 and 2% in the second; however, though still in positive territory, the growth rate was significantly slower in the third. In the last three quarters of the year the collapse of the external markets and the disturbances of the domestic financial intermediary system led to an annualised 2.3% fall in GDP. Thus, over 2008 as a whole the pace of growth fell from 1.1% to 0.5%.

**Growth rate of GDP in 2002-2008 (%)**



Source: Central Statistics Office, Ministry of Finance

**Fiscal Deficit (ESA95, as a percentage of GDP)**



\* Target

Source: Central Statistics Office, Ministry of Finance

## Changes in the legislative environment    The domestic banking sector

- In response to the global crisis, Section 101 (1) of Act CXII of 1996 on Credit Institutions and Financial Enterprises was amended. Under the amendment, the Hungarian State undertakes a payback guarantee with respect to the portion of a deposit in excess of the portion of the deposit that is guaranteed by the National Deposit Protection Fund (15.10.2008).
- On 1 September 2008, Act XLVIII of 2008 on the Substantive Requirements and Certain Limitations Pertaining to Commercial Advertising Activities took effect, the purpose of which was to transpose the legislation enacted in respect of the EU's commercial advertising activities into Hungarian legislation.
- On 29 June 2008, Act XLVII on the Prohibition of Unfair Business-to-Consumer Commercial Practices entered into force, the purpose of which was to transpose Directive 2005/29/EC of the European Parliament and the Council into Hungarian legislation.
- On 26 June 2008, the provisions of Act CLV on Consumer Protection were amended. The most significant change as far as CIB Bank Ltd. is concerned relates to the area of complaints management and customer service. The statutory provisions governing consumer loans also changed.
- On 23 December 2008, Act CIV of 2008 on the Strengthening of the Stability of the Financial Intermediary System went into force, under which, in order to maintain the stability of the financial system, the Hungarian State may directly intervene in the operations of certain service providers engaged in the financial system.
- On 1 March 2008, Act III of 2008 on the Rules on Rounding Necessitated by the Withdrawal from Circulation of the One- and Two-forint Coins entered into force. Pursuant to the act, when payment is made in cash, the amount to be paid must – in accordance with the general rules of rounding – be rounded down to 0 or rounded up to 5. The application of the legal regulations to electronic means of payment or card-based payments is not mandatory; if they are applied, this must be pointed out to the customer.

The global liquidity and credit crisis affected macro-economic and money and capital market trends as well as the performance of the banking sector in 2008.

In the second half of the year, it was already obvious that any belief that Hungary would be exposed to the crisis only vicariously and to a limited extent was entirely baseless. By the end of the year, it had become clear that neither the domestic markets nor the Hungarian banking sector could hope to remain immune to the adverse effects of the crisis. Unfavourable trends accelerated in the autumn, and market turbulence, increasingly tight liquidity, the drying-up of the sources of funding and the prohibitive costs of borrowing were conspiring to pose a considerable challenge to the players in the banking market.

The total assets of the banking sector increased by 23% over the course of the year in 2008 – that is, at a pace greater than in 2007 – though this was due, in part, to a weaker forint.

On the asset side, credit supply began to dry up and lending conditions tightened from mid-2008, and as the year was drawing to an end, the market faced a sharp fall in lending volumes.

The financial crisis had an inevitable effect on the banking sector's profitability too. In the fourth quarter the bank sector's profit after tax fell by HUF 77 billion, and thus the overall profit achieved in 2008 was below the levels of 2005.

The bank sector is looking ahead to a difficult year in 2009 as well: the domestic economic recession and negative global trends will require serious adjustments by market participants. In contrast to previous years, stability is an overriding priority this year; on the asset side, against a backdrop of falling business volumes, the priority will be on maintaining the quality of the portfolios, while, given the limited sources of foreign funds, domestic customer deposits will gain in importance on the funding side.

## Changes in the leasing market

In 2008, service providers in the leasing market – according to data provided by the Leasing Association – granted HUF 1,200 billion in financing funds to customers that chose asset-backed financing, which resulted in the conclusion of 317,000 new contracts. In line with the trends of 2007, the market grew vigorously in the first three quarters of 2008; however, the impact of the financial crisis, which escalated in the fourth quarter, was also acutely felt in the demand for leasing as a money-market product. At the end of the year, the value of the combined portfolio – capital receivables – managed by the close to 50 leasing companies in the market, calculated at the NBH mid-rate, was HUF 2,600 billion.

Car financing, which is a key driver of profitability, contributed to the performance of 2008 to a lesser, though still significant, extent (2008: 53%, 2007: 57%), while its volume fell by 8% in 2008.

The chief engine in terms of the machinery financing sector was an increase in demand driven by applications for EU funds to finance the purchase of agricultural machinery. Thanks to a sectoral upswing, this line of business once again grew rapidly in 2008, expanding by 11%.

In the trucks segment nearly 14,000 lease contracts were concluded, and by the end of the year, the capital receivables of the lease companies in this segment amounted to a total of HUF 356 billion. The trucks segment accounts for 14% of the entire leasing market. However, the dynamic growth experienced in the first three quarters came to an abrupt halt in the final quarter.

In 2008 the property financing sector retained its 2007 market share, at 14%. HUF 177 billion in placements had resulted in a portfolio of HUF 466 billion by the end of the year.

Due to the economic downturn in both the financial markets and the real economy, market participants anticipate a halt in the growth of the leasing market, a sharper focus on risk-conscious financing solutions and heightened activities aimed at eliminating the competitive disadvantage of leasing as a form of financing in the coming period.

## Characteristics of the domestic government securities and money markets in 2008

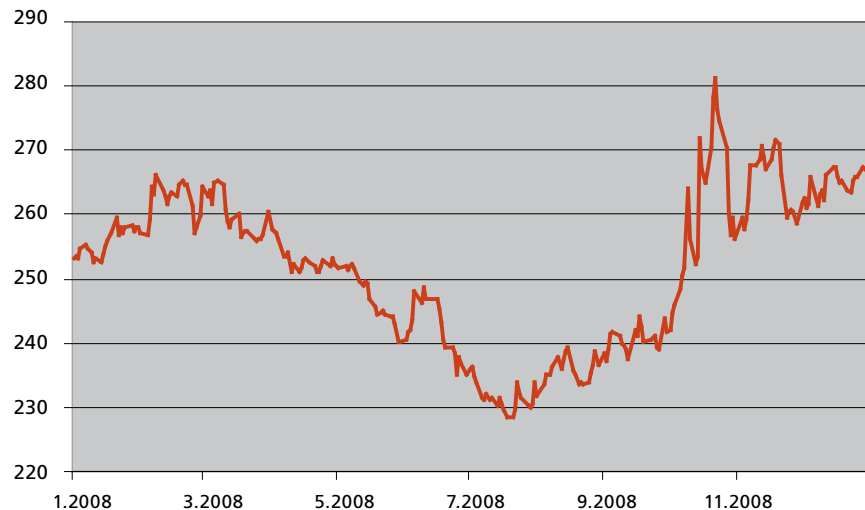
Last year the global financial crisis also engulfed domestic financial markets. Though adverse trends were the most acutely felt in the final quarter, unusually large exchange-rate fluctuations and deep uncertainty surrounding the economic outlook prevailed in most financial market segments during most of 2008. In the first half of the year, the exchange rate of the forint remained stable; strengthening to below 230 to the euro, even reaching historic highs; in contrast, the government securities market and the equity market were shaken by the successive waves of a worsening crisis. The impact of global risk aversion exerted itself in temporarily subsiding shock waves in the first half of 2008; in the second half, however, the flight of capital to “safe” financial assets (mainly short-term US government bonds and, to some extent, also German government securities) took on unprecedented proportions. The panic that followed the Lehman collapse transformed the trend into an avalanche, which lost momentum only towards the end of the year. The ensuing confidence crisis, which led to the global freezing of interbank lending and record interbank rate hikes, also hit Hungarian financial markets hard: the completely unfounded former illusions that Hungary would be exposed to the crisis only to a limited extent had to be abandoned.

Only spectacular improvement in Hungary’s financing ability could soften the blow inflicted by the successive waves of a crisis of confidence and of financing. It was in this context that a EUR 20 billion credit line provided by the International Monetary Fund, the EU and the World Bank was opened in late October 2008. The central bank’s tightening cycle, the international financial package and other measures taken to provide stimulus for the government securities market and interbank lending combined to consolidate the exchange rate of the forint. Fluctuating significantly, the forint’s exchange rate moved against the

euro in the 260-270 range during the remaining months of the year. Though the global liquidity and credit crisis affected Hungary only to a limited extent in the first half of 2008, a lower risk appetite was also made itself felt in the government securities market. Further aggravating the situation, sell-offs in emerging markets in March and April and all through the summer, the pricing-in of expectations for an easing cycle and, in part, the re-arrangement of the portfolios of the private pension funds all hit government securities hard. In October 2008, the trends unfolding in the wake of the Lehman Brothers collapse inflicted a further blow on the Hungarian government securities market. The government securities market was able to rebound from its 200–350-basis point weakening, almost completely, in less than one month – i.e. by the beginning of December – thanks to the fact that the EUR 20 billion loan granted by the IMF, the EU and the World Bank had helped put an end to the financing panic that had broken out in October. The trend was supported by a drastic fall in the number

of HUF-denominated issuances in the government securities market, the suspension of securities auctions and the announcement of similar measures for 2009, and trends in this regard seen so far in 2009 suggest that despite a slowly recovering external environment, in the coming period there will continue to be considerable pressure coming from the markets on fiscal and monetary policy-makers to put in place an appropriate economic-policy mix.

**The EUR/HUF exchange rate in 2008**



Source: Budapest Stock Exchange

## The CIB Group

Similarly to all other participants in the sector, the CIB Group, providing commercial banking, leasing, fund management and factoring services to retail and corporate customers in Hungary, has also placed much emphasis on the continuous broadening of its customer base in recent years.

This trend was disrupted by the global crisis, which made us focus more on getting to know and retaining our customers. As far as lending is concerned, the aim is to achieve greater risk awareness, and improve the quality of the portfolio, while in respect of deposits, the primary objective is to step up efforts at deposit collection. Naturally, profitability remains an important goal, and to this end, we are constantly striving to improve cost efficiency. All these goals serve to maintain the long-term stability of our bank group.

The basis of the CIB Group's corporate social responsibility activities is the dialogue conducted with stakeholders. As early as when developing our CSR strategy that was approved in 2006, we defined who it is that we regard as our stakeholders: all those who may be affected by the activities and operations of our bank, and all those who may have an effect on our company. Of these, the following three groups are of particular importance in terms of our operations: employees, customers, and the owner. In addition to these three main stakeholder groups, we have also identified other stakeholders of ours: these are the suppliers, civil institutions, local communities and trade organisations. The subsequent sections of the Sustainability Report will present in detail all the steps that the CIB Group has taken with regard to its stakeholders.

### CIB Group in brief

The history of the bank group began in 1979, when the National Bank of Hungary and several leading European and Japanese credit institutions established Central-European International Bank (CIB) Rt. In 1997-1998, IntesaBci (from 2001: Banca Intesa), which had been a minority shareholder before, became the sole owner of the bank in two stages. The next milestone in terms of ownership structure came in 2007, when the Banca Intesa and the Sanpaolo IMI bank groups merged to form Intesa Sanpaolo S.p.A., then, on 1 January 2008, the Hungarian subsidiaries, CIB Bank and Inter-Európa Bank, also joined forces, creating – what was then – Hungary's second largest bank. The merged bank continued, and today still continues, its operations under the name of CIB Bank Zrt.

#### The ownership structure of CIB Bank

|  |         |
|--|---------|
| Intesa Sanpaolo Holding International S.A. | 89,098% |
| Intesa Sanpaolo S.p.A.                     | 10,902% |

*As of 31 December 2008*

The dialogue that we conduct with our owner as a stakeholder has a formal aspect, which is implemented through various internal boards and forums such as the shareholders' meeting and the Board of Directors. In addition to this, during the course of day-to-day work the various specialist areas are in close and regular contact in professional matters with staff from the corresponding departments of the parent bank, which ensures a timely and efficient exchange of information.

As in 2007, last year once again witnessed a number of important changes in the bank's organisational structure, which is hardly surprising considering that in a rapidly changing environment, new functions and tasks need constantly to be established and performed by the bank group in response to the latest challenges. As regards organisational change, the merger, which had still been in a preparatory stage in 2007, was an important spur to such changes, and one that was inevitably reflected in the organisational structure.

The main driving force behind the changes that characterised last year was a strategic shift in focus, in the wake of which we now set greater store by the quality of customer relations than we used to. Our aim in transforming our processes and our organisational structure was to provide our customers with the best services possible. The new organisational structure was engineered to enable us to improve our decision-making processes, in order to be able to respond to business challenges in a coordinated manner, fast and effectively. To this end, the following changes were implemented last year:

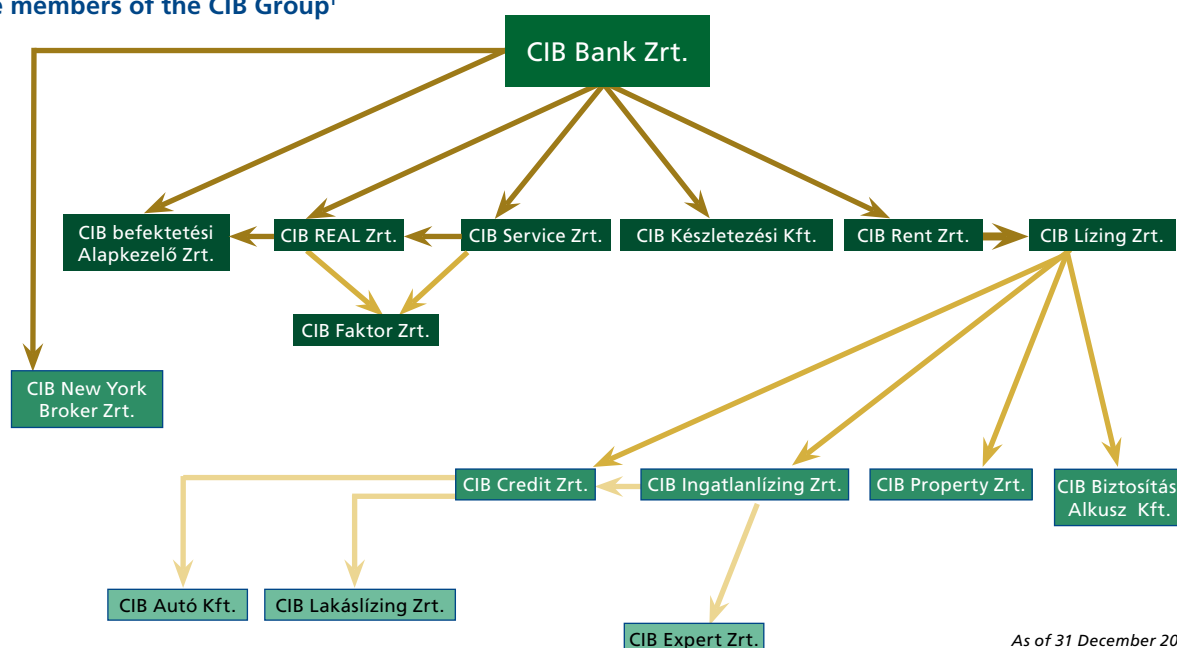
- the CEO was assisted in his work by two deputy CEOs;
- with effect from 1 July the divisions were dissolved, and the bank's operation was divided into four main functional groups;
- the process and administrative/organisational tasks were decentralised;
- a new organisational unit called *Financial Process*



**Control** was established. This area is structured in keeping with the expectations of the parent company, regulates in accordance with the laws of Europe

and Italy, and controls the risks of the most important basic processes related to reporting and data provisioning.

### The members of the CIB Group<sup>1</sup>



As of 31 December 2008

| Key data                                | 2006              | 2007              | 2008              |
|---|-------------------|-------------------|-------------------|
| Total assets                            | HUF 1,874 billion | HUF 2,276 billion | HUF 3,039 billion |
| Assets per employee                     | HUF 646.8 million | HUF 741.4 million | HUF 830.7 million |
| Profit after tax                        | HUF 25.4 billion  | HUF 28.6 billion  | HUF 28.2 billion  |
| Profit after tax per employee           | HUF 8.7 million   | HUF 9.4 million   | HUF 7.7 million   |
| Market share <sup>2</sup>               | 8.92%             | 9.26%             | 10.44%            |
| Net sales revenue                       | HUF 99.6 billion  | HUF 104.7 billion | HUF 144.2 billion |
| Operating efficiency ratio <sup>3</sup> | 47.96%            | 49.57%            | 47.92%            |
| Number of customers <sup>4</sup>        | 565,268           | 612,971           | 727,110           |

As of 31 December 2008

| Our presence in Hungary | 2006 | 2007             | 2008 |
|-------------------------|------|------------------|------|
| Bank branches           | 98   | 105              | 153  |
| Representative offices  | 10   | 35               | 42   |
| ATMs                    | 109  | 134 <sup>5</sup> | 228  |

As of 31 December 2008

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

<sup>2</sup> In accordance with Hungarian accounting standards, based on non-consolidated data, source: PSzÁF (HFSA).

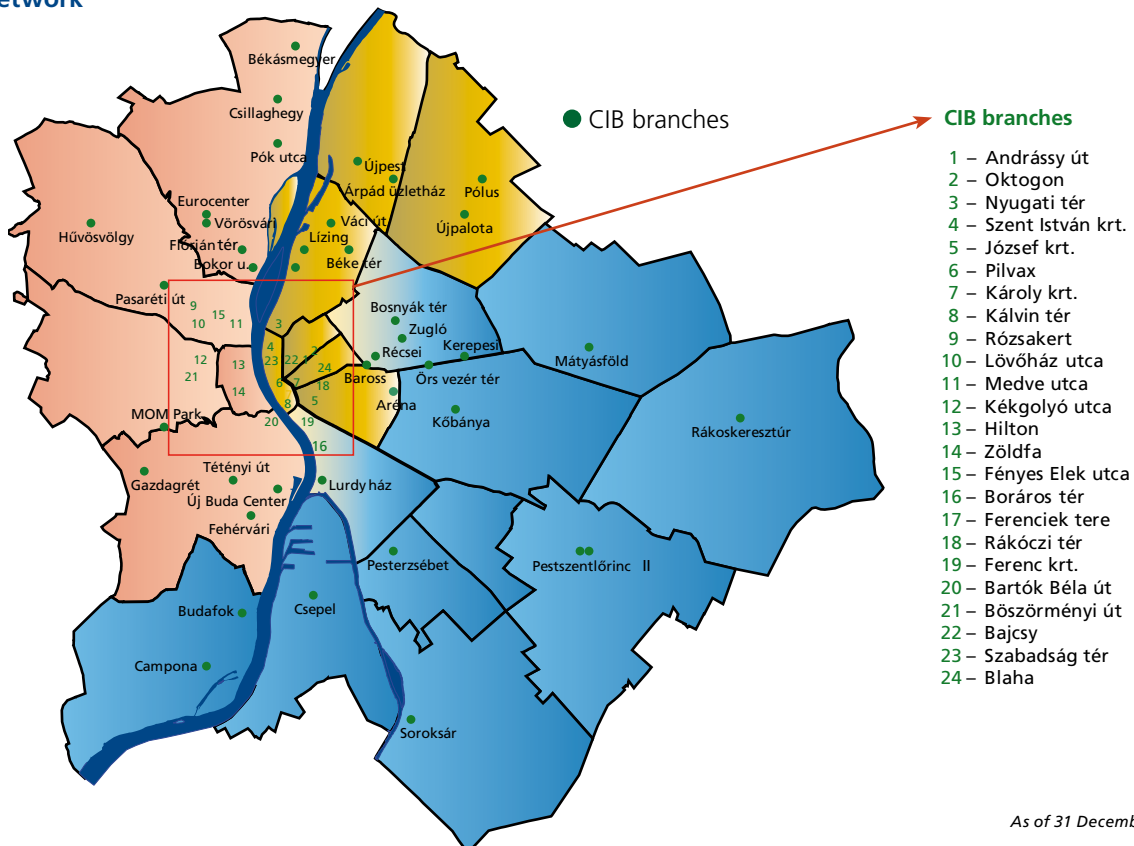
<sup>3</sup> Ratio of operating costs to net interest and commission income.

<sup>4</sup> The method of calculating customer numbers changed in 2008. The 2007 figures were adjusted accordingly; however, the 2006 figures were calculated according to the previous method.

<sup>5</sup> Adjusted data.

### CIB Bank's Budapest sales network

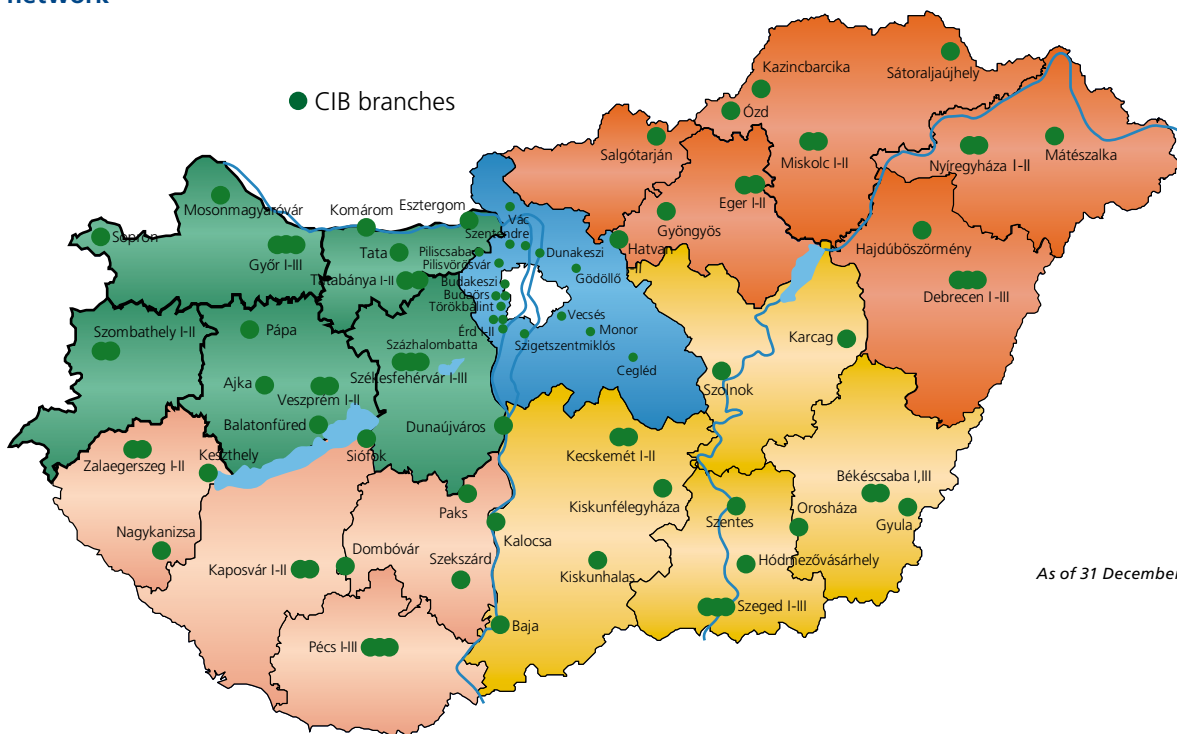
The current CIB branch network in Budapest



As of 31 December 2008

### CIB Bank's national sales network

The current CIB branch network in Hungary



As of 31 December 2008

## Business strategy

As in previous years, once again in 2008 our business strategy was built on five basic pillars: growth, efficiency, risk-awareness, stability and the human factor. These were complemented by a traditionally high standard of service and by innovative, continuous technological development. Balancing the needs of our owner, the customers and employees, our aim was to develop a multi-faceted yet sustainable business model which is also profitable, versatile yet sustainable in the medium and long term. Stability was assured by the balanced performance of the bank's three main divisions (corporate, retail and leasing), for which the professional expertise and commitment of our more than three thousand employees are indispensable prerequisites.

## Financial performance of our business lines

Despite the post-merger processes which continued to have a profound effect well into the first quarter, and the global crisis that dominated the fourth, the CIB Group performed well in 2008. Its balance sheet total grew by 19%, to above HUF 3,000 billion, and its operating profit rose by 31%, amounting to a total of HUF 75 billion. This was the best operating profit CIB had ever realised during its thirty years of operation. As a consequence of a stricter-than-usual provisioning policy, strongly influenced by the crisis, the group's profit after tax was HUF 28.2 billion. The detailed financial report of the CIB Group is contained in the Annual Report.

### *Results of the Corporate Business*

Despite the post CIB-IEB merger processes which continued to have a profound effect well into the first quarter of 2008, and the global crisis that dominated the fourth, the CIB Group's Corporate Banking Business performed well. Total loans to corporate customers – net of loans granted to CIB Group members – surpassed even the 20 percent growth of 2007, expanding by 23% in 2008 and amounting to over HUF 1,500 billion at the end of the year.

With respect to corporate deposits, the Corporate Business, having fulfilled the expectations of the owner and achieved its targets, closed 2008 with an excellent overall performance – with a deposit volume of over HUF 560 billion. It should be noted that CIB Bank succeeded in maintaining and even strengthening its market position, despite the unfavourable market trends that – particularly in the final quarter of 2008 – affected the banking sector.

Owing to the above and for the first time in its history, CIB Bank had, in respect of resident non-financial enterprises, become a market leader in corporate financing and corpo-

rate deposit collection by the end of 2008.

The traditionally strong market position of the Corporate Business is clearly indicated by its sizeable market share in lending to Hungarian enterprises operating in the manufacturing industry, the food industry, machinery, electricity supply, commerce and hospitality as well as by its outstanding market share in the credit portfolio of companies engaged in financial activities, real estate and business services.

### *Results of the Retail Business*

Despite the merger in early 2008 and the crisis that escalated in the last quarter, CIB Bank's retail business achieved financial results that surpassed the targets set in the business plan.

The number of the bank's retail customers grew by 47,000, and at the end of the year exceeded 539,000. As of 31 December 2008, the CIB Group was serving a total of 641,000 retail customers.

In 2008 the bank's priority was to further increase its share of the housing loans market. The retail loan portfolio grew by 35%, to HUF 507 billion, and as a result of successful deposit-collection and funds-retention activities, the total volume of retail deposits rose by 10% to reach HUF 614 billion.

These achievements were thanks to the fact that in 2008 the bank placed a significant emphasis on developments related to property-backed loans, particularly home loans, and further increased the number of its sales partners.

In the course of the year CIB also developed a number of new products, such as the CIB Mortgage Loan with a Grace Period and the "top up" credit facility. The latter is a loan granted – without an additional credit appraisal – to existing customers of ours who already have a mortgage loan, where collateral value of the property and the customer's payment discipline enable another loan to be disbursed. While increasing new loan placements, we simultaneously launched a programme aimed at retaining our existing base of credit customers, by specifically targeting customers with mortgage loans.

Thanks to the recent merger, CIB has – in terms of market share – become the second largest participant in the retail deposits market. This position it succeeded in retaining throughout the course of the year.

In order to establish a stable funding structure, the bank placed considerable emphasis on encouraging customers to take up long-term savings opportunities, and achieved notable results in terms of increasing the volume of placed own-issued bonds with maturities of over 1 year.

### *Results of the Leasing Business*

At the end of 2008 the CIB Leasing Group was able to post a combined capital placement volume of HUF 181.7

billion, and, with its first place in the rankings achieved through a market share that once again topped 15 percent, it continues to represent a class of its own among the front runners of the leasing firms. The first three quarters of the year saw a continuation of the rapid growth that had been experienced in the previous years, but in the fourth quarter the global crisis also hit the leasing market. In 2008 the company group concluded 42,000 new financing deals, bringing the number of its active contracts to nearly 176,000 by the end of the year.

Of the various lines of business that belong to the CIB Leasing Group's activity profile, car financing continues to be predominant. The company's placements in the individual car financing market amounted to HUF 66 billion, which made the company the second largest player in this segment and represented a 12% market share.

In 2008 the truck business set itself the goal of maintaining its outstandingly high market share, and it succeeded in this objective, thus retaining the 20 percent market share it first attained back in 2004. Serving one-fifth of the market, this market-leading player was able to report HUF 36 billion in placements, or 8% more than a year earlier.

The company group's machinery and equipment business again achieved excellent results in 2008; with HUF 36.3 billion in financed value, it continues to hold a dominant share of the market.

Of the CIB Leasing Group's total portfolio, the property and home-leasing business represented a 16 percent share in 2008. The company placed exceptional emphasis on the financing of small and medium-sized companies, striving to serve as much of the market as possible, and as comprehensively as possible, by building out a regional network. Despite the effects of the economic crisis which took in virtually all sectors of the economy in the last quarter of 2008, the CIB Leasing Group's profitability was satisfactory, with net operating profit amounting to nearly HUF 23.8 billion. Despite the favourable operating results, due to the sizeable amount that was set aside for loss provisioning, the CIB Leasing Group closed 2008 with an after-tax profit (according to IFRS) of HUF 5.5 billion, as compared with HUF 7 billion in the previous year.

## The distribution of income

In terms of sustainable growth, we use an approach that sheds light on the income movement (income transfer) that results from the economic activity of the company, that is, the income transfer between the various participants in the economic sphere which includes the CIB Group – customers, suppliers, employees, shareholders, the state, and the third sector. Data on the creation and distribution of economic value provide a basic indication of how the organization has created wealth for stakeholders. Total generated gross value added is defined as the difference between total revenues and total costs for goods and

services (Consumption) The calculation is based on Intesa Sanpaolo's methodology. A breakdown of generated and distributed direct economic value is presented in the following table.

### Generated and distributed economic value added (HUF billion)

|  | 2007          | 2008          |
|--|---------------|---------------|
| Total generated value (A)                        | 192.441       | 269.148       |
| Total consumption (B)                            | 118.686       | 184.562       |
| Gross value added from core activities (A-B=C)   | 73.754        | 84.586        |
| Revenue from the sale of tangible assets (D)     | 0.183         | 0.443         |
| <b>Total generated gross value added (C+D=E)</b> | <b>73.937</b> | <b>85.029</b> |

|  | 2007          | 2008          |
|--|---------------|---------------|
| Owners (dividend)                                  | 2.500         | 0             |
| Employees (wage payments)                          | 27.232        | 34.614        |
| State (direct and indirect taxes)                  | 12.616        | 14.193        |
| Third sector (donations and contributions)         | 0.272         | 0.564         |
| Corporate sector (profit reserve and amortization) | 31.316        | 35.657        |
| <b>Total distributed value added</b>               | <b>73.937</b> | <b>85.029</b> |

Of the figures for 2008, special mention must be made of the dividend, the zero value of which reflects the owner's intent of putting to use that portion of the generated value added that is due to it in the country in which it was generated. The increase in the value of wage payments is attributable to both the annual salary increases and to the increased headcount resulting from the merger with Inter-Európa Bank. The doubling in the value added allocated to the third sector is explained by the fact that this stakeholder group has grown in importance.

## Information related to suppliers

The fact that nearly 100% of our suppliers are Hungarian illustrates our bank group's commitment to operating as a part of the local economy and to assisting it by supporting the local community and its interests. And the more than 7-percentage-point increase in the number of domestic suppliers compared to the figures for 2007 provides clear evidence of the success of our efforts.

<sup>1</sup> Data is not available in this breakdown for 2006.

**Number of suppliers by geographical location<sup>1</sup>**

|               | 2007         | 2008         |
|---------------|--------------|--------------|
| Hungary       | 6,821        | 6,767        |
| Europe        | 620          | 113          |
| North America | 45           | 12           |
| Asia          | 0            | 1            |
| <b>Total</b>  | <b>7,486</b> | <b>6,893</b> |

As of 31 December 2008

**Spending on services by geographical location of suppliers<sup>2</sup> (HUF million)**

|               | 2007          | 2008          |
|---------------|---------------|---------------|
| Hungary       | 63,484        | 46,381        |
| Europe        | 603           | 1,279         |
| North-America | 1,387         | 362           |
| Asia          | 0             | 0.810         |
| <b>Total</b>  | <b>65,474</b> | <b>48,024</b> |

**Our owner: Intesa Sanpaolo S.p.A.**

CIB's parent bank Intesa Sanpaolo S.p.A., which was formed through a merger between Banca Intesa and Sanpaolo IMI on 1 January 2007, has the largest network in Italy and, in terms of its market capitalisation, is one of the largest fi-

nancial institutions in the euro area. The bank group's share is around 18% in each market segment in Italy. The group has an extensive international network of branch offices in a total of 13 countries in the Central East European region and the Mediterranean. The group serves approximately 20 million customers from a total of nearly 8,500 branches, if the Italian branches are included, and through its various businesses has a presence in more than 40 countries.

**Our owner in figures**

|                                   | 2007            | 2008            |
|-----------------------------------|-----------------|-----------------|
| <b>Number of customers:</b>       |                 |                 |
| In Italy                          | 10.4 million    | 11.3 million    |
| Outside Italy                     | 6.8 million     | 8.5 million     |
| <b>Number of branches:</b>        |                 |                 |
| In Italy                          | 6,050           | 6,463           |
| Outside Italy                     | 1,279           | 2,000           |
| <b>Total assets</b>               | EUR 573 billion | EUR 636 billion |
| <b>Customer loan portfolio</b>    | EUR 335 billion | EUR 395 billion |
| <b>Customer deposit portfolio</b> | EUR 374 billion | EUR 431 billion |

As of 31 December 2008  
Source: Intesa Sanpaolo

**Intesa Sanpaolo Group in the region****1. Albania**

– Intesa Sanpaolo Bank Albania

**2. Bosnia and Herzegovina**

– Intesa Sanpaolo Banka Bosna i Hercegovina

**3. Czech Republic**

– VUB Banka

**4. Egypt**

– Bank of Alexandria

**5. Greece**

– Intesa Sanpaolo Bank Albania

**6. Croatia**

– Privredna Banka Zagreb

**7. Hungary**

– CIB Bank

**8. Russia**

– KMB Bank

**9. Romania**

– Intesa Sanpaolo Bank Romania

**10. Serbia**

– Banka Intesa Beograd

**11. Slovakia**

– VUB Banka

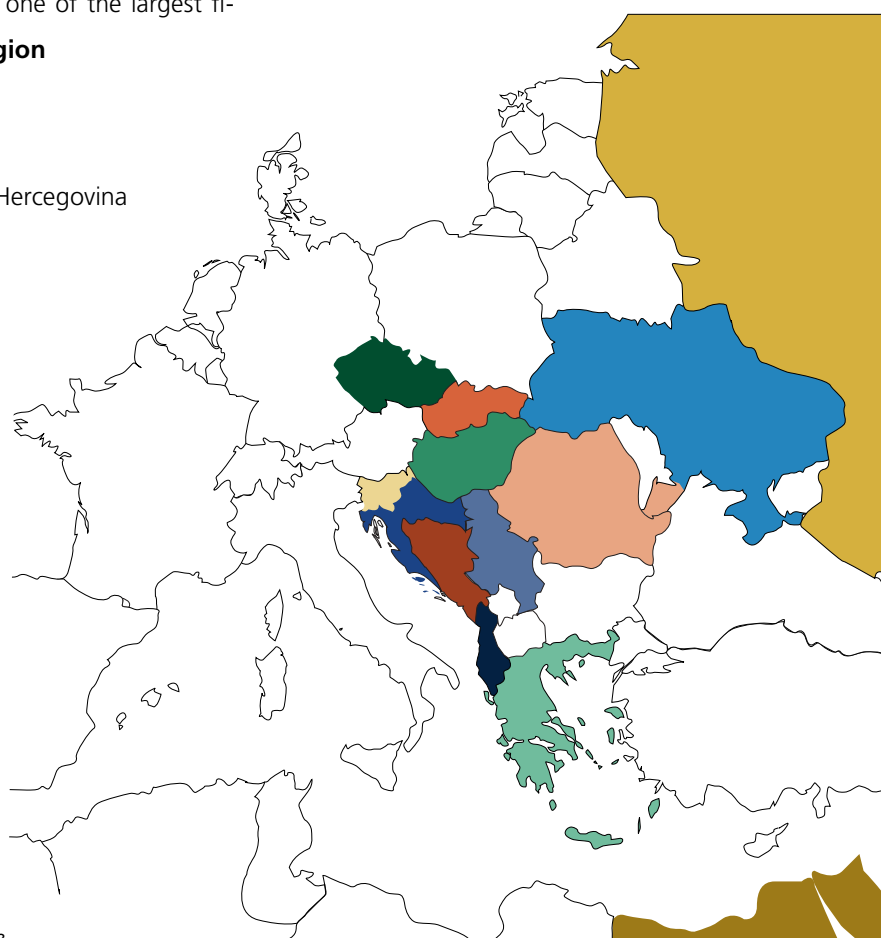
**12. Slovenia**

– Banka Koper

**13. Ukraine**

– Pravex-Bank

As of 31 December 2008



<sup>1</sup> Data is not available in this breakdown for 2006.

<sup>2</sup> Data is not available in this breakdown for 2006.

## Changes to governance procedures

In terms of ensuring our accountability and transparency, describing our governance procedures is of key importance. Therefore this section contains a presentation of the most important corporate governance functions, highlighting the changes that defined the past year.

### Decision-making and supervision

The organisational restructuring that took place during the year also partially affected the decision-making and supervisory bodies. The bank's supreme decision-making body is the Shareholders Meeting, which is made up of all the shareholders. The structure of the **Shareholders' Meeting** has changed, with the result that from 2008 employees can now delegate two persons to the meeting held to prepare decisions for the highest-level decision-making body. The other boards remained unchanged, and thus their structure is as follows:

- The Bank's executive body is the **Board of Directors**, the members of which were employed either by the parent group or CIB Bank.
- The **Supervisory Committee** is responsible for overseeing the bank's operations, and is chaired by Norbert Becker, who represents the Intesa Sanpaolo bank group.
- The **Audit Committee** supports the supervisory committee's work in relation to auditing tasks.
- The **Executive Committee** is authorised to decide on matters determined by the Board of Directors.
- The decision-making 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**
  - **Decision-Preparation and Coordinating Committees**
- **Auditor**

#### Members of the Board of Directors

| Name                         | Organisation represented |
|------------------------------|--------------------------|
| Dr. György Surányi, chairman | Intesa Sanpaolo Group    |
| Massimo Pierdicchi           | Intesa Sanpaolo Group    |
| Paolo Baessato               | Intesa Sanpaolo Group    |
| Paolo Sarcinelli             | Intesa Sanpaolo Group    |
| Dr. László Török             | CIB Bank                 |
| Imre Bertalan                | CIB Bank                 |

*As of 31 December 2008*

#### Members of the Management Committee

| Name                | Position, area of responsibility                     |
|---------------------|--|
| Dr. László Török    | CEO  |
| Eduardo Bombieri    | Business Deputy-CEO                                  |
| Imre Bertalan       | Deputy CEO<br>Finance and risk management operations |
| Attila Cselőtei     | Managing Director<br>IT                              |
| Judit Lamboy Petzné | Managing Director                                    |
| Sales and Retail    | Managing Director                                    |
| László Vér          | Human Resource Management                            |

*As of 31 December 2008*

### Means of supporting responsible operation

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 the international banking group, and 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 responsibilities, 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 goes into detail regarding the finer points of banking operations, sets rules pertaining to the expected model of conduct, and deals separately with the prevention of corruption and the criteria for gift-giving. The Code of Conduct has been incorporated into the



CIB Group's regulations as a CEO Order, 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 pertaining to responsible practices in its **Organisational and Operational Regulations** (SZMSZ). By these means, 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 proclaim similar principles aimed at supporting responsible operation.

### **Organisational functions**

Support for the appropriate handling of issues that are key to 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.

#### ● **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.

#### ● **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 risk. The Compliance department has developed numerous internal regulations, providing 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 the course of 2008, the CIB Group devoted even more resources than in previous years to ensuring that these operations were as effective as possible. In the course of the year every employee of the CIB Group participated in the distance-learning program aimed at preventing money laundering, and successfully passed an examination based on the skills thus acquired. These measures were complemented by the obligatory Code of Conduct approved last year, which has a separate section devoted to gift-giving and the prohibition of corruption. Training in respect of the latter issue had yet to be provided in 2008.

#### ● **Conflicts of interest**

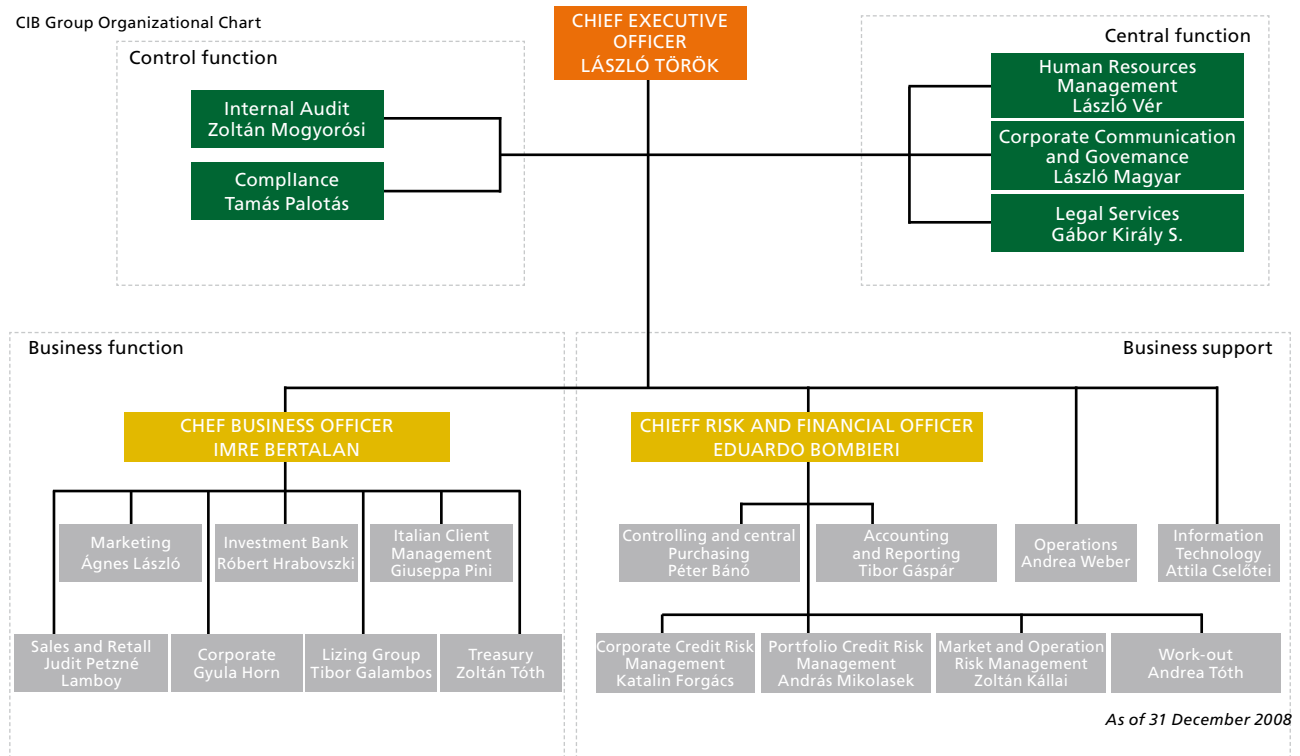
We proceed in accordance with Act CXII of 1996 (Credit Institutions Act.), Act CXXXVIII of 2007 (Investment Services Act), and Act XXII of 1992 (the Labour Code). Based on these laws we supplemented our internal regulations in 2008 with the regulations pertaining to possible conflicts of interest arising in relation to investment services. All members of the CIB Group adopt internal regulations equivalent to those in effect at the Bank. This year we will provide the opportunity to make conflict-of-interest declarations in electronic form, and will closely monitor and evaluate any situations that give rise to potential conflicts of interest.

#### ● **Risk management, prudent investments**

By necessity, the purpose of the Risk Management function is to identify the risks of the organisation, and to measure the identified risks and 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 Finance and Risk Management department is responsible at CIB.

## CIB Bank's organisational structure

### CIB Bank Ltd's organisational structure



- 1. Business functions:** This group of functions includes Sales and Retail, Corporate Banking, the Leasing Group, Treasury, the Investment Bank, Italian Client Management and Marketing.
- 2. Business support functions:** The risk management departments, Controlling and Purchasing, Accounting and Reporting come under the authority of the new Deputy-CEO, while Operations and IT report directly to the CEO.
- 3. Central functions:** The departments listed here also report directly to the CEO. These include Human Resource Management, Corporate Communication and Governance, and Legal Services.
- 4. Control functions:** These departments – Internal Audit and Compliance – are overseen directly by the CEO.

## Management systems

In addition to the guidelines contained in the Code of Ethics, the Code of Conduct and other regulatory measures, and the development of a corporate structure that clearly defines areas of responsibility, responsible operation is also supported by the bank's various management systems. One of the most important of these is the Performance Management System (PMS), which through the setting of specific and measurable annual performance targets, based on the business strategy and broken down to the level of organisational unit and individual, the regular assessment of employees' performance, and the provision of performance-related incentives, ensure that each and every member of staff is motivated and committed to achieving the shared goals of the organisation. Among the performance targets, those objectives that support responsible operation are prioritised.

## CSR management

### CSR strategy

The frameworks for the CIB Group's corporate social responsibility (CSR) activities are demarcated by the three-year CSR Strategy approved at the beginning of 2006. The most important objective of the strategy is for the bank group, through its commonly adopted and shared values, to be capable of asserting the principles of corporate social responsibility in every aspect of its operation. Accordingly, the CSR strategy is integral to the CIB Group's general business strategy, and supports the achievement of our business objectives.



The CSR strategy:

- demarcates the areas of corporate social responsibility
- defines our commonly adopted and shared values
- identifies our stakeholders
- creates points of contact between our business operations and corporate social responsibility activities
- places our sponsorship practices on a new footing
- sets out an action plan comprising specific measures to be implemented
- offers guidelines for the internal and external communication of responsible practices.

To facilitate the introduction at local level of the CSR governance model already in operation at our parent bank, the joint CSR Committee was established, on which the members of the international network are represented, with the aim of implementing the Intesa Sanpaolo group's CSR strategy through a series of specific initiatives – naturally respecting the specificities and characteristics of the given local environment and country. A part of this process was ensuring that CSR is not only regarded as a strategic consideration by management, but is also incorporated into day-to-day business operations.

Social and environmental responsibility also plays an important role in the Bank's internal communication. Via the intranet, employees regularly receive information regarding CSR developments, as well as useful tips and advice on how to think and act in an environmentally aware manner. The latest news related to these issues is published on special intranet pages, updated on a weekly basis, presenting the CIB Group's current CSR activities and giving examples of internationally proven practices. The CIB Group's internal newspaper devotes a separate section to reporting on CSR activities, several times a year.

### CSR management

By CSR management we mean the operation of institutions and tools – such as corporate governance, processes and systems – that make it possible for the bank to conduct its efforts to promote corporate social responsibility.

**The CIB Group's CSR management system has been developed in accordance with the principles set out in the strategy.**

In view of the fact that CSR is a corporate governance philosophy that encompasses all aspects of banking activities, every organisational unit is involved, to a greater or lesser extent, in ensuring responsible operation. At the same time, owing to the diversity of issues spanned by CSR, a high degree of central coordination is also necessary to ensure that the individual actions and initiatives all serve the same purposes, and are compatible with the centrally ap-

proved CSR strategy. The special factors described above were also taken into consideration when determining the related areas of responsibility.

It follows from this that the top-ranking executive has a critical role to play in ensuring the success of the CSR program. The "sponsor" of CSR, that is, its chief representative in senior management circles, is the CEO, whose role lies first and foremost in communicating the importance of good corporate citizenship.

While in previous years, an employee of the Communication (today Media Relations) department performed the tasks that required coordination and support in respect of the social and environmental impacts of our operations, from 1 January 2008 an independent CSR department has been established to deal with all such tasks.

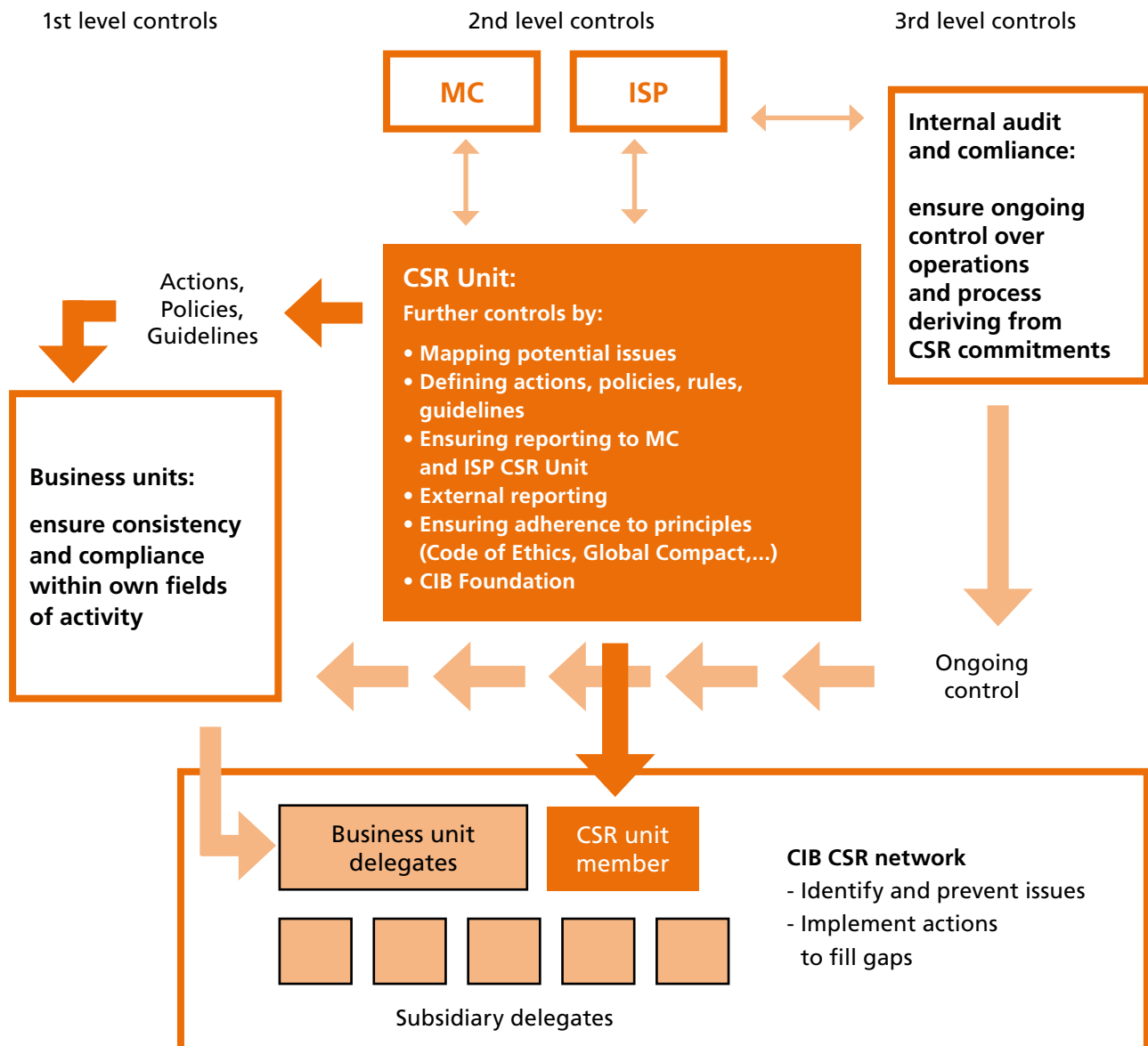
The CSR department assists the CIB Group's senior and middle management on an ongoing basis, enabling them and their subordinates to incorporate social and environmental performance criteria into their personal targets. As a part of this work the employees of the CSR department map out the skills of the CIB Group's managers, and where necessary develop them through the provision of training and courses using both internal and external resources.

Naturally, a great many organisational units are involved in the implementation of CSR-related initiatives. The departments that participate the most actively are:

- Human Resource Management (HR): in initiatives aimed at ensuring the fair treatment of internal stakeholders (employees)
- Corporate Business Development and Retail Marketing: in the development of products and services
- Customer service units (branch network, call centre, complaints management): in initiatives to ensure the responsible treatment of customers
- Bank Security and Compliance: in its efforts to ensure safe and legally compliant operation
- Purchasing and Operations: in initiatives aimed at minimising the CIB Group's environmental footprint, and with respect to the appropriate management of supplier relations.

Besides these organisational units, the **CIB Corporate Social Responsibility Foundation**, which was established in 2005, plays an important role in supporting organisations and persons engaged in activities for the public good. A more detailed account of this issue is contained in the section entitled 'The CIB Group's role in the wider community'.

## CSR management system



## The United Nations Global Compact



Global Compact Network  
Hungary

In October 2008 the CIB Group added its signature to the United Nations Global Compact. The UN Global Compact is a strategic policy initiative for businesses that are committed, in collaboration with the institutions of the UN, labour and civil organisations and governments, to aligning their operations and strategies with ten universally accepted principles in the area of human rights, labour, environment and anti-corruption. The Global Compact, which encompasses some 5,500 member companies in more than 100 countries, is the world's largest voluntary corporate citizenship initiative.

### *The aims and fundamental principles of the UN Global Compact*

The UN Global Compact, focusing on four specific areas, expects participating businesses to make a voluntary commitment to comply with the ten guiding principles.

The ten principles define obligations in the areas of human rights, labour, environmental protection and anti-corruption. With regard to the protection of human rights, signatories to the Global Compact should support and respect the upholding of internationally proclaimed human rights, and make sure that they are not complicit in human rights abuses. As regards labour, the UN Global Compact treats as fundamental requirements the upholding of the freedom of association, the prohibition of forced labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation. In the area of environmental protection companies are expected to undertake initiatives that promote greater environmental responsibility, and to encourage the development and diffusion of environmentally friendly technologies. Beyond the above, taking effective action to combat corruption is also one of the basic objectives of the Global Compact.

### *The CIB Group's values and the UN Global Compact*

The CIB Group's the primary management tool for ensuring sustainable value-creation is the Code of Ethics, which applies to all subsidiaries of the Intesa Sanpaolo group. The fundamental principles proclaimed by the UN Global Compact accord fully with our own stated values. In other words, the aims of the initiative are in line with the commitments undertaken voluntarily by the CIB Group: we aim to create and uphold values that are sound both in economical and financial, and in social and environmental terms, and which are defining and sustainable in the long term.

### *Communication On Progress*

Although in principle a period of two years is allowed, from the date of joining the Global Compact, before we are required to report – in the manner specified by the UN – on the extent of our compliance with the individual principles; the CIB Group has nevertheless decided to give an account of its progress in the first year. The Communication on Progress (COP) at the end of this Sustainability Report cross-references the various aspects of our performance with the individual principles, based on the GRI methodology. We will send the COP document, as a part our Sustainability Report, to the relevant organisation within the United Nations.

## Taking responsibility for our employees

Our employees are among the most important of our stakeholder groups, and without their hard work, commitment and motivation we would be unable to achieve successes.

Identifying the needs of our staff is essential in order to ensure that both employer and employee are capable of responding appropriately to the challenges that arise. Among the most important forums for engaging in dialogue with our employees, besides the bank-wide, divisional and regional "off-site" events, are our quarterly in-house magazine CIBünk (our CIB), and the company intranet. We also conduct regular employee satisfaction surveys.

### The employees of the CIB Group

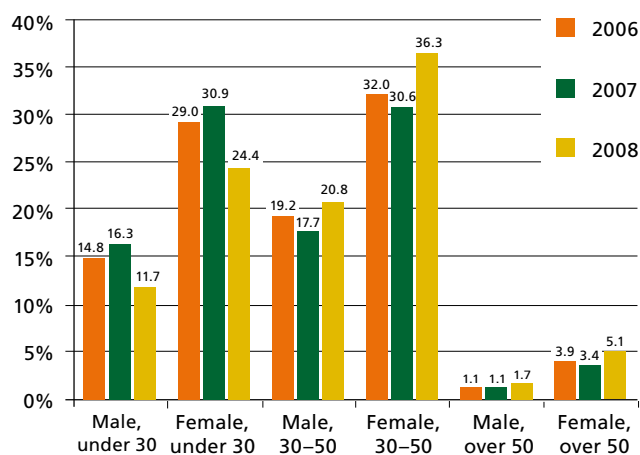
On 31 December 2008 a total of 3,657 employees worked at the CIB Group, 3,513 under indefinite-term and 144 under fixed-term employment contracts. The number of employees with disabilities was four, and the number who were senior citizens was 25 (eight part-time, 17 full-time). Besides the senior-citizen part-time workers, a total of 17 other persons worked part-time for the bank group. Two thirds of our employees are female, and one third male. As is customary in the financial sector, the majority of our employees held a higher-education qualification, usually in subjects related to finance or economics. At the end of December 2008 some 2,208 of our employees worked at the central offices of the bank or the Leasing Group, and 1,449 were employed in the branch network. The majority of the Bank's employees worked in Budapest and the Central Hungary Region. When recruiting, the bank takes special care to employ the highest percentage of local staff – that is to ensure that as many of our employees as possible work at a location close to their place of residence. In the case of senior management, the proportion of local (Hungarian) executives is 94%<sup>1</sup>.

#### Number of employees of the CIB Group (%)

|                 | 2006         | 2007         | 2008         |
|-----------------|--------------|--------------|--------------|
| Fixed-term      | 161          | 137          | 144          |
| Indefinite-term | 2,738        | 2,933        | 3,513        |
| <b>Total</b>    | <b>2,898</b> | <b>3,070</b> | <b>3,657</b> |

As of 31 December 2008

#### The CIB Group's employees by age and gender (%)



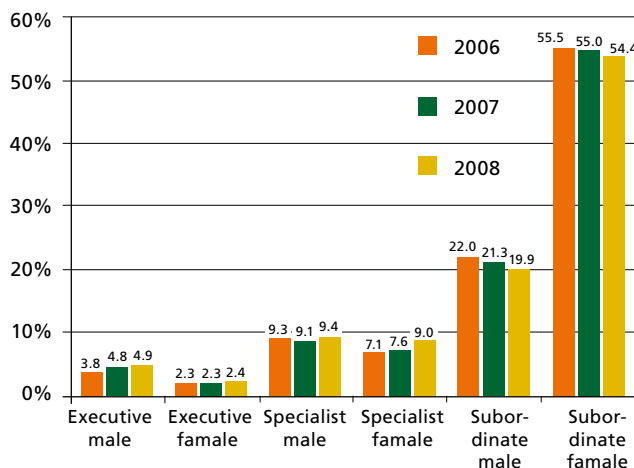
As of 31 December 2008

#### The CIB Group's employees by level of formal qualification (%)

|                    | 2006  | 2007  | 2008  |
|--------------------|-------|-------|-------|
| University         | 22.0% | 21.0% | 23.5% |
| College            | 30.0% | 30.0% | 30.2% |
| Other <sup>2</sup> | 48.0% | 49.0% | 46.3% |

As of 31 December 2008

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



As of 31 December 2008

<sup>1</sup> We define "senior management", besides the CEO, as executives responsible for business, business support, control and central functions, as well as the heads of business (as opposed to technical) subsidiaries.

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

### The CIB Group's employees by geographical location (%)

|                           | 2006  | 2007  | 2008  |
|---------------------------|-------|-------|-------|
| Budapest                  | 77.7% | 77.0% | 73.6% |
| Central Hungary Region    | 4.8%  | 5.1%  | 6.7%  |
| North-East Hungary Region | 5.1%  | 5.3%  | 5.8%  |
| North-West Hungary Region | 4.9%  | 4.8%  | 5.3%  |
| South-East Hungary Region | 3.6%  | 4.0%  | 4.6%  |
| South-West Hungary Region | 3.9%  | 3.7%  | 3.9%  |

As of 31 December 2008

## Employment

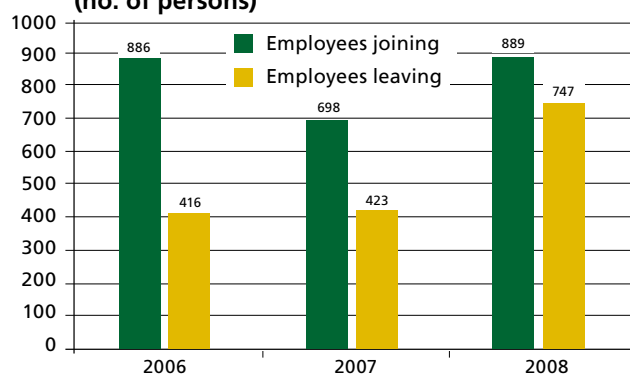
The rises in the number of the CIB Group's customers, and the merger carried out at the beginning of 2008, have led to an increase in the number of employees. Recruiting a staff of highly qualified employees who are capable of fitting in with our corporate culture represents a great responsibility for the group. For this reason, it is in our primary interest to recruit employees of the desired calibre, and retain them in the long term by integrating them into the organisation as successfully as possible. To achieve this, it is necessary to have a well-functioning recruitment and selection system, and programs supporting the orientation of new employees. Our staff brought to bear the highest level of expertise when selecting new employees from among the exceptionally high number of job-seekers who applied to work at the bank in 2008. At the same time, we are understanding, and attentive to the motivation of those employees who choose to continue their careers elsewhere, since the feedback they provide could reveal deficiencies in our organisation which, in certain cases, can be quickly and easily remedied. The main factors defining our HR operations over the past year were as follows:

- We performed the organisational integration of employees from the former Inter-Európa Bank in several phases. First the 50 senior executives of the post-merger bank were appointed at the end of July 2007, followed by a further 300 managers at the end of September.

This was followed by selection of employees to be taken over from the acquired bank. Ultimately, a total of 540 persons were retained from IEB's original staff of 650.

- We continued our practice of **participating in university jobs fairs** in 2008. The purpose of these events is to make contact with as many potential candidates as possible, and select from the most talented graduates from among them. In 2008 we had a presence at the jobs fair organised by the Corvinus University in Budapest, where we collected many promising CVs from potential applicants to our SME internship program. Another objective of our participation in the event was to further raise the CIB Group's profile in the labour market.
- Our new HR strategy **places particular emphasis on assisting in the assimilation of new staff**. Ensuring a proper understanding of the organisation, corporate culture and operation of the CIB Group is beneficial to both the bank and its employees.
- An important objective is to **reduce employee turnover, that is the number of employees leaving and joining the company in a given year, and to understand the underlying reasons**. To this end, we ask all employees who leave the company to assist us in our work by completing a questionnaire. We also conduct personal interviews with the holders of certain positions, in order to map out their main reasons for leaving the company. We do this with the aim of effectively using the results to improve our HR management procedures. The employee turnover rate rose to 20.4% last year. This was partly due to the labour-market trends that characterised the entire bank sector – especially in the first eight months of the year – and partly to the organisational changes carried out in the wake of the CIB-IEB merger.

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



As of 31 December 2008

We regard it as important to not only expect our employees to produce consistent, high-quality work, but also to provide them with the agreeable working environment that they need in order to do so, as well as the appropriate salary and benefits, while also providing other incentives – such as training – for them to work to high standards. **In the course of our operations we make every effort to observe the principles of equal opportunities, and to also ensure equality for our employees.** Our objective is to minimise the wage disparity between the sexes, and indeed – in the long term – to fully uphold the constitutional principle of “equal pay for equal work”.

- The gross monthly salary of newly recruited graduates in 2008 was HUF 259,650, or 376% of the statutory minimum wage.
- At the level of senior employees and managers the wage disparity between female and male employees was 2.5%, while in the case of office workers it was 11.3%. Both of these figures are considerably lower than the 16.3% national average.
- Our organisation is willing to appoint physically disabled staff to certain positions. To this end, since 2006 we have maintained a relationship with the National Alliance of Disabled Persons' Associations (MEOSZ), whom we keep informed regarding current job opportunities. Our first physically disabled employee joined the CIB Group in 2008.
- The CIB Group, as a responsible money-market participant, complies with the laws pertaining to employment, and with 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.

## Engaging our employees

We regard it as essential to ensure effective communication between employees and the company, and for our staff to be informed as quickly and precisely as possible regarding issues that affect them and the company. **From this perspective, one of the most important challenges of 2008 was the merger with Inter-Európa Bank.** During this process there was a greater need than usual for standardised and consistent internal communication, which for the most part we succeeded in achieving.

Besides ensuring the smoothness and accuracy of communication, it was vital for us to receive all feedback, and to engage in a genuine dialogue with employees and employee groups. In this regard, 2008 witnessed two very important new developments.

- **The most important event of 2008 in terms of employee representation was the establishment of the trade union.** This was the first time in the CIB Group's history that a formal employee advocacy body was created. At the end of the year 9.7% of our employees, a total of 355 persons, were members of the union. One of the key tasks of the second half of the year was the announcement and successful holding of the employees' council elections<sup>1</sup>. Based on the experience gained in the running of the employees' council, we will consider launching negotiations regarding a collective bargaining agreement.
- In June 2008 we launched a program entitled **“Your Opinion Counts”**, to gauge the level of satisfaction with the handling of reports submitted to the IT department.

Naturally the previously launched internal communication channels remained open in 2008. With regard to these, the most important changes were as follows:

- Following the CIB Group's change of corporate image, **in the summer of 2008 our quarterly internal newspaper CIBünk (Our CIB),** originally launched in 2005, **was given a makeover in terms of both its layout and content.**
- **The company intranet, which receives almost 100,000 visits a day** and assists our employees in their work by keeping them up-to-date with all the latest news, information and advice, **was also modernised and made easier to navigate.** Besides information related to the business functions, sales and retail, sales controlling and quality assurance, details of the results of the “Listening 100%” program and advice regarding the handling of customer complaints are also available via the redesigned intranet.
- Another new feature of the intranet is the **regularly updated CSR information and advice section**, where our employees can access the details and latest information related to our social and environmental commitments. As well as news and the latest information, this section also offers tips on what the employees themselves can do, both at work and in the home, to help protect the environment.

Naturally **we continued to hold numerous training courses and team-building exercises**, and made an effort to involve the employees of the branch network as much as possible in the discussion of regional issues, for example in the preparation of sponsorship decisions.

## Training, skills development

Since we operate in a knowledge-intensive sector of the economy, it is essential for our employees to constantly develop and update their skills. **This is another reason why the CIB Group places particular emphasis on running a variety of skills development programs, and organising**

<sup>1</sup> The inconclusive election held in 2008 was followed by a second round in 2009.

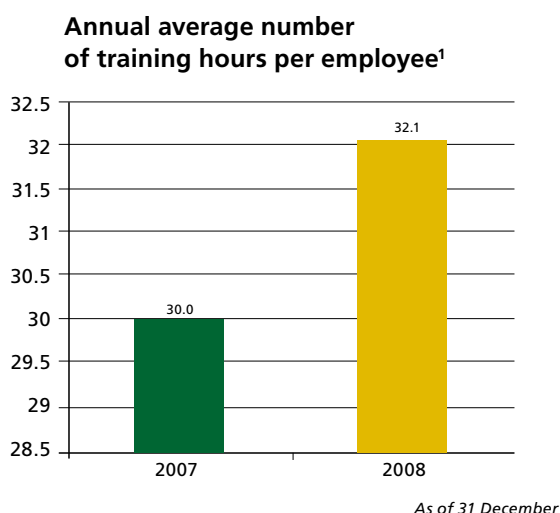


**training courses, workshops and conferences aimed at improving employees' professional skills related to their jobs.** The areas for development are always determined in accordance with the bank group's business objectives, and the priorities are set jointly by the heads of the individual departments and the head of HR management. The most important training tasks of the past year were as follows:

- **Completing and consolidation of the merger with Inter-Európa Bank presented a number of challenges related to training and skills development.** Essentially, in the space of two months the former IEB employees had to be trained in the use of the IT systems that were unfamiliar to them, and taught about the products, services and processes of the united bank. In 2008 we reinforced the skills of branch staff taken over from IEB, through the holding of training courses in retail customer management methodology. To ensure the imparting of the appropriate skills, and to support the practical application of the skills and techniques learned, we introduced a mentoring system encompassing the entire branch network.
- **We placed an even greater emphasis than before on intensive language training.** To this end we fundamentally overhauled our language training system. At the beginning of the year we signed an agreement with the Katedra language school, under which from autumn it will supply language teachers for the holding of English lessons in small groups and on a one-to-one basis. Our employees have the opportunity to enrol in courses at the discounted price of HUF 15,000 per semester, twice a year in spring and autumn. The remainder of the course fees, and the costs of textbooks and other course materials, are covered by the employer. Courses were launched at all proficiency levels except total beginner, and in autumn 2008 a total of 282 employees participated in English courses nationwide, in groups of no more than eight persons. Besides this, where necessary for certain employees owing to the nature of their job, we also supported the acquisition of Italian language skills.
- **Our employees also had an opportunity to enrol in a distance learning course in advanced banking skills,** in order to attain the nationally accredited Banking Consultant / Specialist Banking Advisor qualification.
- **We stabilised our training organisation, which had been restructured in 2007,** with the result that besides our internal training team we have also established a permanent external team of trainers and coaches, with an excellent knowledge of the bank and its special requirements. In this way, we succeeded in cost-effectively achieving a more intensive training and skills-development presence than in the preceding period. The range of services offered by the external team includes the various skills development courses and coaching techniques, but they also provided support for our organisation with state-of-the-art "Development Centre" programs.
- **We continued to develop our MultiLearn electronic distance learning system,** enabling it to perform regular professional skills assessments, and – in certain cases and in respect of certain subjects – to support e-learning. We also successfully utilised this training channel for the retraining programs related to the post-merger integration, and in preparations for the launch of the regular branch network examinations system in 2009.
- **Through orientation programs, new training courses and the on-site personal development sessions held by our seven-person regional coaching team,** we have further reinforced our standardised retail sales and customer care methodology. By publishing a sales manual, we have laid the foundations for a series of customer relations and customer care training courses that will be held for corporate customer relationship managers in 2009.
- **In July 2008 our training team participated in a two-day workshop aimed at developing cooperative skills, at the Bátor Tábor (Camp of Courage) site.** (For more details about the cooperation between the CIB Foundation and the Bátor Tábor Foundation, see the separate article.)
- In 2008 we **expanded and refitted the CIB Training Centre.** As a result, from the second half of the year up to 100 employees at a time can study simultaneously in a modern environment, in four rooms equipped with computers, and three dedicated training rooms.
- Back in 2007, the group assessed the corporate cultures of the two banks (CIB and IEB) prior to their merger. **Based on the results of this evaluation we launched our management development initiative,** in the first phase of which we invited 60 of the group's senior executives to participate in a two-day series of Leadership Workshops. The objectives of the workshops included reinforcing the sense that the purposeful shaping of our corporate culture is a shared task and responsibility of management. Another part of the training sessions was the joint interpretation and development of the role of the manager and management styles, in keeping with what we have identified as the ideal organisational culture.
- Following these programs, **another important landmark was reached in the process of developing our corporate culture: the three-day management training courses held for all of CIB's executives.** At these, in keeping with the CIB Group's cultural objectives and its values, we devoted much attention to the development of self-awareness, management attitude and skills. In order to establish an inner circle of advisors with a deeper understanding of the methodology applied in CIB's management development initiative, we trained 17 persons in the use of diagnostic tools. Consequently, following the training courses a stable and effective team is now on hand to assist middle managers in the day-to-day application of the skills they have acquired. We also prepared the multi-stage personal coaching programs for 20 senior executives in 2008.

### Off-site HR training at the 'Camp of Courage'

At the campsite maintained in Hatvan by the Bátor Tábor (Camp of Courage) Foundation, which provides adventure therapy to children suffering from chronic diseases, in July 2008 we held a two-day workshop to develop cooperative skills, for the employees of the training department. The Camp of Courage philosophy fits in well with the CIB training team's program in a number of respects, as the sessions were primarily about openness, opportunities and cohesion. The two days presented an excellent opportunity for participants to get to know each other better, to learn how to welcome new arrivals and help them to assimilate, and to raise the standards of internal operation and cooperation, thus rendering their work better, and more effective and transparent.



We have based the appraisal of our employees', and thus also our managers', performance on the fulfilment of those economic (environmental) social targets, specified in the CIB Group's business strategy, which apply to the given individual. Appraisal of the individual and group performance of senior managers – which also determines their remuneration – was approved by the owner based on the recommendation of the CEO.

**Parallel to this, the GÓL (GOAL) system was also introduced,** which has transformed the performance appraisal regime for employees in the sales network. With this step we aimed to achieve three objectives: attaining a closer harmony between the sales strategy and incentives system; boosting sales performance; and giving branch managers a personal stake in ensuring the optimal allocation of tasks among branch employees. The first annual appraisal has proven the launch of the GÓL system to be a success, as within a short development period we created a system that can be operated with a minimal resources requirement.

## Performance assessment

The CIB Group has maintained an independent HR controlling department, as a corporate governance function, since January 2007. Its purpose is to support the optimal utilisation of the human resources at the organisation's disposal, at every level of management. The department is responsible for overseeing the planning and implementation tasks related to human resources, and monitoring implementation of the plans through measurement. HR Controlling also provides the bank group's management with information to assist in the making of decisions pertaining to employees.

**In 2007, CIB introduced its Performance Management System (PMS), which assists in the setting of targets at the beginning of the year for all employees and executives, based on which it is possible to measure individual performance.** Managers were able to record the targets and results for 2008 in the new system, to be used by the bank group as the basis for calculating variable-pay and bonus payments.

One of the objectives for 2008 was the electronic recording of all of the bank group's PMS data. However, due to a change in priorities, this aim was only partially fulfilled.

**Nevertheless, starting from last year all employees now receive a regular performance appraisal.**

## Benefits

We are fully aware that fringe benefits constitute a considerable source of motivation for our employees. In our experience, even career starters consider the perks offered by potential employers as an important factor in their choice.

**No significant changes have occurred to the CIB Group's guidelines related to benefits over the past year.** Our general benefits package continues to be made up of the following elements: occupational health services, reimbursement of travel expenses, CIB Voluntary Pension Plan, preferential banking services and discounted bank cards, staff loans, staff lease-financing plans, group personal insurance, prescription spectacles. Besides these, we continue to offer, as optional benefits, the family mobile telephony plan, the cafeteria system, and holiday facilities both 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

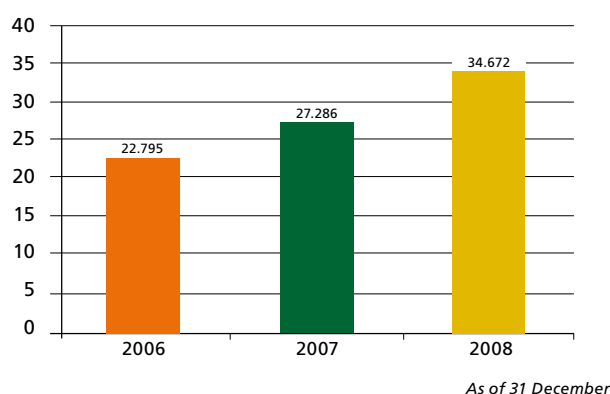
<sup>1</sup> No comparative data is available in respect of the year 2006.



of hours worked. All of 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.

The reason for the significant discrepancy between the basic salaries by professional status in respect of 2007 and 2008 is that the harmonisation of salaries and job classifications resulting from the merger between CIB Bank and Inter-Európa Bank was not fully completed.

**Wages and benefits paid to employees of the CIB Group (HUF billion)**



**Men's and women's basic salaries by professional status (HUF million, average)**

|                    | 2006  | 2007  | 2008  |
|--------------------|-------|-------|-------|
| Executive male     | 12.90 | 12.71 | 13.54 |
| Executive female   | 11.24 | 11.09 | 11.89 |
| Specialist male    | 6.52  | 6.80  | 7.08  |
| Specialist female  | 6.60  | 6.73  | 6.91  |
| Subordinate male   | 3.19  | 3.56  | 3.77  |
| Subordinate female | 2.86  | 3.08  | 3.35  |

As of 31 December

## Promoting team spirit and a sense of community

Since our employees – as is the case at most companies – spend a considerable amount of their waking hours at work, they will only be capable of high-quality, efficient teamwork if they maintain their sense of well-being in the course of their work. To ensure this, firstly we have to create the appropriate working conditions, but it is just as important for our employees to feel that they are genuinely part of a community. It was in recognition of this fact that the bank **introduced a variety of community-forming**

**(formal and informal) events and programs, and we also support employees' initiatives that contribute to a strengthening of team spirit.** As in previous years, in 2008 we once again provided numerous opportunities for enjoyable, team-building get-togethers, with the aim of strengthening the bonds between staff:

- Every year the employees of each department have the chance to hold a **joint outing or dinner**.
- Each division holds its own, annual off-site event, at which they review the challenges that await them in the year ahead. **Also held on an annual basis is the bank-wide off-site event**, which is attended by the senior employees of the various divisions. At these functions the managers gain an overview of the bank group's performance in the previous year, and the objectives that remain to be fulfilled in the coming period.
- **Numerous cultural and sporting programs** also serve to strengthen the teamwork between our employees. Last year we celebrated the integration of CIB Bank and Inter-Európa Bank with a "Merger Party", and once again held the CIB Father Christmas event.
- In the history of the CIB Group, there has perhaps never been such a need for harmony, for achieving the right combination of professional expertise and human sensitivity as in the last few months of the past year, when seemingly unshakeable financial structures were rocked to their foundation. Cool-headed deliberation, quick professional responses and well-adjusted human reactions – these were what we needed (and still need today). By presenting the **CIB Harmony Award**, our aim in 2008 was once again to recognise, within the bank, the achievements of those employees who, in these extraordinary times, displayed human and professional qualities that serve as an example to us all.
- **One of the greatest bonding forces is joint sporting activity.** Fortunately, a great number of our employees have an active lifestyle or are involved in sports. It is thanks to them that life at the bank is made even more varied and interesting by regular outings, cycle rides, football championships and hatha yoga courses. CIB Bank was represented in every event at the Hungarian Banks' Sports Day, held at the end of August. We also organised our own CIB Football Cup. At the 1st Balaton Supermarathon our running team, covering a distance of 195.4 km over four days – among the eighty teams that crossed the finish line – came sixth in its age category and ninth overall. The CIB football team competed in a football championship organised by Intesa Sanpaolo in Belgrade, in which all the teams were fielded by subsidiaries of the group. CIB emerged as the unbeaten winner of the championship.

<sup>1</sup> A 2006-os év tekintetében nem rendelkezünk összehasonlítható adattal.

## Ensuring satisfactory working conditions

It is very important for the bank group to ensure an appropriate working environment for all employees, creating the conditions in which they can perform their duties safely and in comfort. Truly effective working can only be expected of employees who are satisfied, well-adjusted and capable of striking a healthy balance between their work and home lives. We help our employees to maintain their health through regular medical checkups and screening. We make every effort to optimise the physical conditions for working (ergonomic office furniture, technical equipment, recreational areas, dining opportunities, etc.). This is a means of reducing the risk of accidents at work, and the number of working days lost due to illness. The CIB Group endeavours to provide its employees with high-quality services at every level of the organisation.

We are aware that not only do our owner and the bank group's management have high expectations of the employees; but the reverse is also true, as our staff also have requirements in respect of the bank group. **Accordingly, during the past year we clearly identified the key tasks in expanding our active welfare initiatives, as a part of the ÉRTED (FOR YOU) program, which focuses on the needs of individuals.**

- As the first step in this program we introduced a **new employee benefit** in the second half of October, with the aim of assisting every member of staff in maintaining their health, or regaining it as soon as possible in the case of existing illnesses. As a part of this program we offer every employee the opportunity to attend an expanded health screening examination every two years.
- In November-December we **provided vaccines against flu to our employees free of charge**. More than 500 of our staff took this opportunity.
- Besides these, **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 2008.
- Managers above a certain level once again had the opportunity to attend an annual **"mini executive health screening"** in 2008.
- The **screening tasks** were 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.

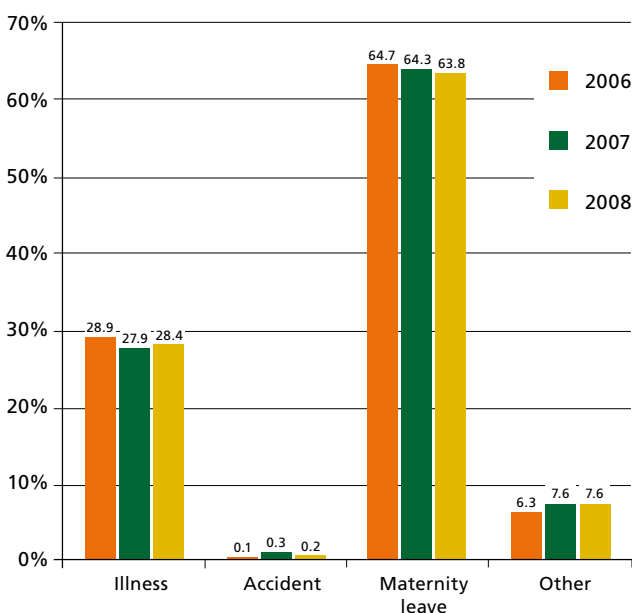
- Since 2007 we have provided all our employees – through our partner insurance companies – with basic **life and accident insurance cover**, which can be supplemented according to individual requirements.
- In the history of CIB Group (neither in 2008 nor in previous years) never happened a fatal accident at work.

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

|                             | 2006 | 2007 | 2008 |
|-----------------------------|------|------|------|
| Number of accidents at work | 9    | 11   | 12   |
| Number of working days lost | 167  | 265  | 161  |

As of 31 December

### Absenteeism by reason for absence (%)



As of 31 December

## Responsible service provision

Our customers are our key stakeholders, to whose needs we are particularly attentive, and without whose trust the CIB Group would be unable to achieve its own results.

In the course of our day-to-day operations we come into contact with our customers by various means. These channels enable us to provide customers with information regarding our products and services, while also offering them an opportunity to voice their concerns, make suggestions or even lodge complaints. Besides this, we also interact with our customers in a more structured manner, whether through the assessment of their willingness to assume risk, or through the various surveys, including those conducted as a part of the "Listening 100%" program.

### A brief introduction to our customers

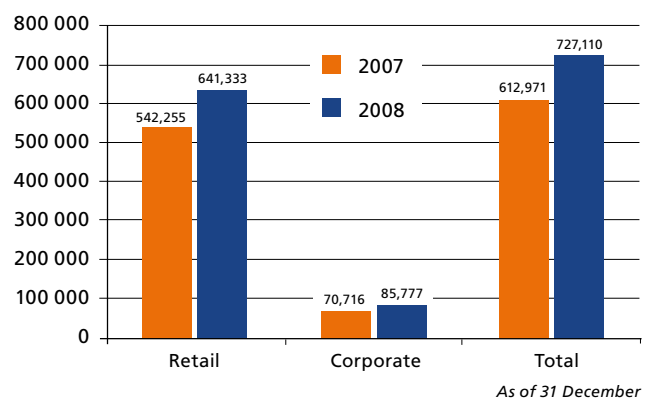
Not even our customers were able to avoid the unfavourable impacts of the global crisis that struck in the last quarter of 2008. The crisis, which stemmed from the collapse of the US subprime mortgage market, led to a failure of the customers' trust in banks, and the banks' confidence in each other.

Naturally, this crisis of confidence **could also have a negative impact on customer loyalty**, as any errors or inaccuracies made in the course of our operations, or quality issues related to our services – of which customers were previously more tolerant – could take on a greater significance, and even serve as a sufficient excuse to switch bank. Owing to all of these factors, in the future we will place an even greater emphasis on retaining our existing customers. Accordingly, the previously launched programs aimed at improving customer focus took on heightened importance in 2008.

- In the second half of 2008 we again used the results of the survey conducted as part of our **"Listening 100%" program**, and customer complaints, to further improve our processes, and to continue raising the quality of our services, thus positively shaping the customers' perception of our Bank. (We will publish a detailed account of this program at a future juncture.)
- In the interests of maintaining long-term customer relationships, we have established a **dedicated customer retention team** dealing specifically with real estate-backed loan customers. The purpose of this was to ensure that customers who plan to refinance their loans are informed, in even more detail than before, regarding the procedures and costs related to the refinancing of their mortgages, enabling them to make a fully informed decision.

- CIB Bank was among the first in the Hungarian financial sector to offer its **Private Banking and Premium Banking customers** a fast-track service at bank branches and cash desks, using the branch queue management systems.

The CIB Group's clientele by customer type<sup>1</sup>

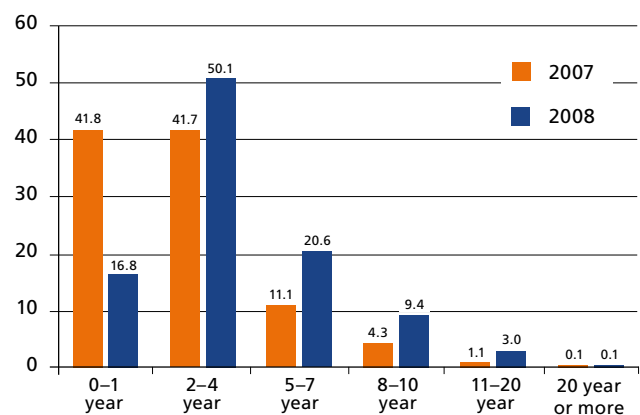


The CIB Group's retail customers by age group (%)<sup>2</sup>

|               | 2007  | 2008  |
|---------------|-------|-------|
| 0–32 years    | 28.6% | 26.5% |
| 33–42 years   | 25.5% | 26.4% |
| 43–52 years   | 19.9% | 18.5% |
| 53–67 years   | 20.8% | 22.4% |
| Over 67 years | 5.2%  | 6.2%  |

As of 31 December

The CIB Group's retail customers by length of relationship with the bank (%)<sup>3</sup>



As of 31 December

<sup>1</sup> The methodology for calculating customer numbers changed in 2008. The data for 2007 has been corrected accordingly, but we were unable to make the correction in respect of 2006, and therefore the data for this year is not given.

<sup>2</sup> Comprehensive data is not available in this breakdown for 2006.

<sup>3</sup> Comprehensive data is not available in this breakdown for 2006.

**Product use in the retail division**

|   | 2006    | 2007    | 2008    |
|---|---------|---------|---------|
| Retail loan portfolio (HUF billion)                               | 210.5   | 289.5   | 506.9   |
| Retail deposit portfolio (HUF billion)                            | 409.2   | 471.9   | 614     |
| Number of active bank cards                                       | 311,797 | 354,417 | 439,283 |
| Number of customers with an active CIB Internet Bank subscription | 99,973  | 139,415 | 194,683 |

*As of 31 December***Product use in the corporate division**

|   | 2006   | 2007    | 2008    |
|---|--------|---------|---------|
| Corporate loan portfolio (HUF billion) <sup>1</sup>               | 848.0  | 1,005.5 | 1,482.9 |
| Corporate deposit portfolio (HUF billion) <sup>2</sup>            | 590.3  | 626.5   | 690.5   |
| Number of active bank cards                                       | 14,719 | 17,807  | 12,155  |
| Number of customers with an active CIB Internet Bank subscription | 21,011 | 27,415  | 48,787  |

*As of 31 December*

## Ensuring equal access to our services

It is very important to us – and naturally also one of our primary business objectives – for our products and services to be accessible to the broadest possible section of society, irrespective of age, financial situation, location and physical attributes. This is why we maintain a presence in numerous locations countrywide, with an increasingly varied product range that is flexible enough to satisfy a wide variety of needs, and we strive to **ensure that our services are also physically accessible – from home, through the barrier-free design of our branches, etc. – to everyone who wishes to use them.** We plan to use various means of fulfilling this objective, from product development through expanding our geographic coverage, and the conversion of ATMs to give them “speech” capability. Thus, we endeavour to ensure equality for our customers in a number of ways.

<sup>1</sup> Excluding loans to members of the CIB Group.<sup>2</sup> Excluding the deposits of members of the CIB Group.

## Expanding our geographic coverage

In 2008 the CIB Group **gained a number of bank branches and representative offices**, partly through the integration of 35 former Inter-Európa Bank branches, and partly through the opening of new units. Over the past year we strengthened our presence in several towns across the country, opening five new branches in Budapest, and inaugurating the second or third outlet in four provincial towns. In ten towns (Balatonfüred, Dombóvár, Hatvan, Kalocsa, Karcag, Komárom, Pilisvörösvár, Sátorajáújhely, Százhalombatta and Szentes), CIB opened its first branch in 2008. We opened new branches in a growing number of shopping centres – the Tesco hypermarket in Budaörs, the Csaba Center in Békéscsaba and the Agria Pláza in Eger – in order to provide customers with easy access to banking services in the course of their day-to-day shopping.

By the end of the year we increased the number of our **Automated Teller Machines (ATMs)** to 228, of which 151 are located in bank branches and 77 at other sites.

**Our geographical coverage is complemented effectively by the electronic banking channels**, as the CIB Internet Bank and the CIB24 customer service hotline are available 24/7. We have developed and launched our mobilCIB internet banking service, optimised for smartphones and PDAs, which is unique in the Hungarian market. CIB Bank is committed to developing e-commerce and bank card use, both in its capacity as a card issuer through the launch of its CIB Internet Card, which facilitates online payments, and on the commercial side, through the establishment of the Internet Merchant of the Year Award. As a result of these innovations, in the “Mastercard – Bank of the Year” competition we won the “Retail Electronic Banking Service of the Year 2008” award, as well as the gold award in the “Best Retail Internet Bank 2008” survey conducted by Privátbankár.hu.

## Products for customers in varying age groups

We regard it as important to ensure that all age groups, and persons living under differing circumstances, have access to the banking services that best suit their needs, at preferential rates where appropriate. This is why we have developed ranges of products to suit people from differing age groups and living under different circumstances – for example, products that address the needs of customers with a heightened interest in health issues. The most important of these are described below.

### **Szia Szimba account package for our youngest customers**

- The Szia Szimba account package, which we have offered since 2006, offers a unique savings opportunity for the 6-18 age group. Children are now eligible to apply for the product up to the age of 14 years.
- The account package offers a range of fun incentives to save on a regular basis, and rewards thriftiness, helping to develop the financial skills and raise the financial awareness of the younger generation.
- Some 25,000 young customers now enjoy the benefits of this product.
- In 2006 the Szia Szimba program won the "Savings Product of the Year" award.

### **CIBezz (Let's CIB) cultural program for youth**

- Under this program, launched for the 14-26 age group, our younger customers can apply for free tickets to music concerts or other cultural events such as exhibitions or performances that interest them.

### **Discounted Senior Citizen product package**

- We regard it as important for our offering to also contain products that suit the needs of older customers. For this reason, at the end of 2008 we developed the **CIB Senior Citizen product package**, which offers discounted banking services to pensioners. The package includes a free "Medical Assistance Hotline", which gives our retiree customers a sense of personal security by providing them with access to a doctor over the phone, at any time of night or day.

### **Premium customers**

- We have expanded the range of services offered to our Premium customers (who already receive a fast-track service when administering their banking affairs) with the addition of the **MEDICIB service**. Under which eligible customers and members of their family can make use of a "Medical Call Centre" and "Second Medical Opinion" service, free of charge.

## **Developing products for organisations with special requirements**

- For our corporate customers, we do all we can to develop **corporate account packages** that suit customers of varying sizes and with differing financial circumstances.
- For local councils we offer a special **Municipality Account package**.
- The bank group is committed to responsible and sustainable operation, which would not be possible without taking into consideration the needs of our stakehold-

ers. Therefore, in keeping with these principles, at the end of 2008 we launched **three new types of bank account** on the market. Non-profit organisations, such as public-benefit companies, associations, professional chambers, foundations and churches can choose between two new account packages designed specifically with their needs in mind – the **CIB Non-profit Classic Account** and the **CIB Non-profit Plus Account**.

- Meanwhile, condominiums and housing associations can make use of the **CIB Condominium Account**.

### **Productive stakeholder engagement: new account-management products for non-profit organisations and condominiums**

*A key part of the CIB Group's corporate social responsibility program is cooperation with the third-sector and local communities. Our support for the voluntary sector – in keeping with our core business profile – should also be reflected in our product development work, since as a financial service provider we wish to actively contribute, through the development of new products, to the implementation of community initiatives and the fulfilment of community objectives. This process was greatly assisted by the civic dialogue that began with the conference, sponsored by CIB Bank at the beginning of 2008, entitled "Innovative Local Development Methods in Central and Eastern Europe", which brought together the bank and various civic organisations.*

*As a result of this dialogue, at the end of the year, CIB Bank launched **three new types of bank account** on the market. Non-profit organisations can choose between two new account packages designed to suit their needs – the **CIB Non-profit Classic** and the **CIB Non-profit Plus Account** – while condominiums and housing associations can make use of the **CIB Condominium Account**. The CIB Non-profit accounts are available to public-benefit companies, associations, professional chambers, foundations and churches. The CIB Non-profit Classic Account is primarily aimed at organisations that perform few transactions, and are mainly funded by donations, while the CIB Non-profit Plus Account is intended for entities that initiate a high number of transactions every month, and typically finance their operations from the interest earned on their invested assets. The CIB Condominium Account is offered to condominiums and housing associations, enabling them to manage their finances at terms that are better suited to their needs.*



## Ensuring access for the physically challenged

We take seriously our obligation to ensure that everybody, including those of our customers with disabilities affecting their movement, sight and hearing, has equal access to our services.

- **Bearing in mind the needs of our disabled customers we have commenced preparations for the barrier-free conversion of all our branches,** and requested the necessary permits from the relevant local authorities. When designing and fitting-out new branches we exclusively apply barrier-free architectural and design solutions. In the case of older branches where this is not feasible – for example where the branch is in a listed building – we provide portable ramps. In 2008 we began the process of applying for permits to convert 33 bank branches. Following completion of these, 80% of CIB Bank's branches will be barrier-free.
- When installing **new cash dispensers,** instead of the formerly used S-shaped front panels, we now exclusively fit our ATMs with flat, vertical fascias, which are easier for customers with physical disabilities to use. Almost 80% of the ATMs that we currently operate have a flat front panel, and the remaining 20% are scheduled for conversion within the next 3-4 years.

## Clear and comprehensible communication

It is essential for our relationships with our stakeholders to be based on legitimate, comprehensible and reliable communication. Last year we made efforts to develop the following aspects of our communication strategy:

- The greatest communication challenge of last year was ensuring that the bank merger implemented at the beginning of the year went as smoothly as possible. To this end, **even in the year leading up to the merger we placed particular emphasis on the consistent management of internal and external communication.** Customers received both general and personalised information regarding the integration. The timing and content of this communication were meticulously planned in advance, and were preceded by the careful preparation and training of our employees for this purpose. We used a variety of tools and channels for this purpose, from personal meetings with key customers regarding the nature of the changes, through information letters, news published in the Bank's newsletters and websites and notices displayed in branches.

- The merger resulted in the creation of Hungary's second largest bank. Due to the rapid pace of the integration, **the first few months of 2008 saw a significant rise in the number of customer complaints,** but after resolving the transitional problems through professional and open communication we ultimately achieved a substantial improvement in customer satisfaction. (More details of this are given later in this report.) The resoundingly positive business impacts of this were also reflected in the Bank's financial results.
- In the period following the merger, in order to ensure clear and professionally substantiated communication, **we started a thread in the appropriate forum of the index.hu news portal,** in which we asked visitors to address their specific problems to the CIB complaints handling team. At the same time we added a "Frequently Asked Questions" section to our website, in which we addressed most of the issues raised in the online forums. These initiatives were clearly received positively by posters to the forum.
- In a move related to the Intesa Sanpaolo merger, on **14 July the CIB Group unveiled its new corporate image.** The purpose of the makeover was to make it clear to the general public that we are a member of one of Europe's leading bank groups. The image change brought with it a new logo and slogan.
- In a period of growing fears regarding the economic crisis, and a considerable weakening of the forint, the bank held a series of events in Budapest and the provinces, at which it did all it could – with the involvement and its senior analysts and independent specialists – to **keep its Private Banking clientele fully informed about the current situation and expected future tendencies.** Several hundred of the Bank's clients attended these presentations.
- During the repayment term of a mortgage loan, which could be as long as several decades, a number of questions or special requirements may arise on the part of a given customer. In the interests of forging and strengthening trust-based partnerships with our clients, **in autumn 2008 we launched a telephone-based relationship-nurturing campaign targeting customers with mortgage loans disbursed 12 months previously.** In the course of the conversations we drew their attention to impending changes in the repayment instalments following expiry of the promotional period, and thanked them for their trust placed in us to date. We invited these customers to contact our employees with any other questions they might have in future.
- To raise our customers' financial awareness – in conjunction with the Hungarian Banking Association – **we added a special information section to our website,** offering practical advice to assist people in considering, planning and carrying out plans to open an account or switch bank.

- The bank – in fulfilment of its statutory obligations – only provides certain investment services and advice to customers with the appropriate financial skills and willingness to assume risk. We have reviewed the **suitability tests** required for this purpose, to ensure that they are more comprehensible and simpler for our customers to complete.
- Surveys conducted by the National Bank of Hungary have revealed that the younger generations are particularly limited in their financial skills. At the initiative of the Bank's branch network, **we have compiled teaching materials for young people**, to be used by the Bank's branch managers to hold lessons and give presentations in secondary schools regarding basic financial skills.
- No significant fines were imposed in 2008 for breaches of statutory provisions pertaining to caution and use in relation to products and services.

## Listening and engagement

One of the cornerstones of CIB Bank's business strategy is customer focus, which in practice means that **we pay special attention to the opinions of our customers**, identify their needs, listen to and remedy their complaints as soon as possible, and take the greatest possible care to make use of their comments in our efforts to improve the quality of our services. In times of economic crisis our customers' expectations change. Owing to the high degree of uncertainty they need constant reassurance regarding the stability of our operations.

- As a consequence of the dramatic fluctuations in the forint exchange rate and the expected deterioration in customers' solvency, **in the last quarter of 2008 we launched** a new project, aimed at reviewing the internal processes related to the rescheduling of customers' mortgage loans, and helping customers to maintain solvency.
- **We developed a number of solutions for alleviating the burden on debtors who are undergoing temporary difficulties.** The most important of these include the granting of a discount on handling charges for loans, providing an opportunity to extend the term of the loan or request a temporary easing of repayments, or to exchange foreign currency loans for forint loans. We have also adopted a more flexible approach to prepayment requests.
- On 6 November 2008 – together with eight other commercial banks – we concluded an agreement with the Ministry of Finance regarding the **means available to credit institutions for relieving the burden** on retail clients with foreign currency-based loans, resulting from the increase in their repayment obligations.

- **In 2008 we stepped up our "Listening 100%" program**, which was originally launched in 2007, canvassing the opinions of the growing number of our customers through a series of interviews and questionnaires. We have analysed the responses, and incorporated – and continue to incorporate – the changes deemed necessary into our day-to-day operating procedures. We further intensified the internal communication related to the program, and encouraged the widespread adoption of the approach that it embodies. Under the program we have given our customers more opportunities than ever before to share with us their opinions regarding the quality of the services provided by the Bank. The most important objectives of launching the program were to raise customer satisfaction, to achieve a sustainable competitive advantage, to promote a customer-oriented attitude throughout the organisation, to better understand the needs of our customers, and demonstrate our commitment towards them. To this end we conducted several customer satisfaction surveys based on the standard procedures applied by our parent company in accordance with European Union guidelines.
- In the second half of 2008 we again used the results of the survey conducted as a part of the **"Listening 100%"** program, and customer complaints, to improve our processes and services, further enhancing customers' perception of our Bank. Based on the feedback and complaints received, we effected changes in the areas under examination, in the interests of raising customer satisfaction. As a part of the program the CIB Group's employees, as a body of highly experienced customers, can regularly give feedback regarding products and services via a section of the intranet developed specifically for this purpose.
- The **changes made in 2007 to the complaints handling process were fully incorporated into the operations of the department in 2008.** Since January 2008, our complaints handling procedures are supported by a workflow application, which makes it simpler to track the status of complaints and other customer feedback, thus enabling us to respond to them more rapidly. It also assists us in preparing the appropriate reports for our supervisory bodies. Owing to the new application we have achieved excellent results in a number of areas of our operation. For example, the perception of CIB Internet Bank has improved substantially in comparison to the beginning of the year.
- To better understand the needs of our customers the **PartnerPult** banking software used by retail customer service staff – in certain, predefined cases – displays motivational questions (e.g. Why did the customer choose this? Why did the customer cancel it?). The employee naturally also has an opportunity to record the customer's replies, the analysis of which provides useful assistance in further enhancing our products and services.

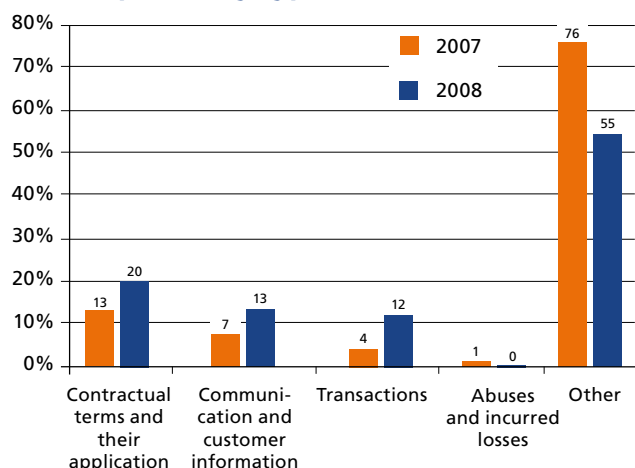
## Customer satisfaction and complaints handling

In the course of 2008, as a part of the "Listening 100%" program, we conducted a comprehensive survey into complaints received by the CIB Group, and into customer satisfaction. For this we used the complaints received from customers, the surveys of retail and SME customers conducted as a part of the "Listening 100%" program, and other questionnaires. We contacted more than 12,000 retail and 1,000 SME customers by telephone, approached them in bank branches, and invited them to complete online questionnaires.

The survey revealed that 2008 was a critical year for the Bank. At the beginning of the year, the number of customer complaints rose because of the merger, while in the second half general confidence in the bank sector was shaken by the global financial crisis. In both of these periods our customers reacted more sensitively to any errors that arose, and to situations in which communication was inadequate or no information was forthcoming. During these periods the likelihood of our customers losing the loyalty that they had previously displayed towards our Bank was substantially increased.

Since the introduction of the complaints handling workflow last January, we have gained an overview of three times as many complaints as before. The number of complaints rose considerably in the beginning of 2008 and then, following the period of integration between the two merging banks – from the second quarter – fell back to its previous level before rising once again in response to the financial crisis. Thus, in contrast to the 8,415 complaints investigated in 2007, last year we received a total of 16,335 complaints. The number of approaches by the Hungarian Financial Supervisory Authority was 274.

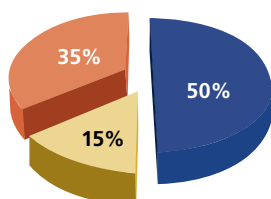
### Complaints by type (%)<sup>1</sup>



**The recording of complaints has become a matter of routine both at the CIB24 call centre and in the branch network, with the result that we have gained (and continue to gain) an increasing number of opportunities to better understand our customers' problems related to our Bank.** The percentage of substantiated complaints fell every quarter (accompanied by an increase in the number of complaints lodged), which is partly attributable to a fall in the number of operating deficiencies, and partly to a rise in the number of unsubstantiated complaints. The percentage of complaints acknowledged as a goodwill gesture – in line with our objectives – remained unchanged.

### Results of complaints investigations in 2008 (%)<sup>2</sup>

- Substantiated
- Acknowledged as a goodwill gesture
- Unsubstantiated



The response time for complaints fell steadily in the course of the year, as dissatisfied customers received a reply to their complaints within an average of 10.6 days. A growing proportion of the complaints, an average of 69%, were handled at the place that they were made (bank branch, CIB24), which shortened the time taken for complaints handling and raised customer satisfaction.

We place particular emphasis on the secure storage of customer data, which is why in the course of the merger between CIB Bank and Inter-Európa Bank we exercised the greatest possible care when integrating the two separate databases. As a result of this, we received no complaints as a result of customer data loss. A total of 15 complaints were made regarding unauthorised access to customer data in 2008. Without exception the incidents giving rise to these complaints resulted from errors made when mailing account statements. In the interests of avoiding future errors we are cooperating more closely with our subcontractor entrusted with the sending of account statements.

## Customer focus

The focus of our operations is on our customers: we strive to always provide our services to the highest standards of quality, to make contact with customers using the channels of their choice, and to communicate with them in a comprehensive and courteous manner. The programs successfully launched in 2007 continued last year, and therefore we will only highlight two new issues in this section.

<sup>1</sup> Due to a change in methodology the data from 2007 and 2008 are not comparable with the data disclosed in 2006, and therefore we have only stated the figures for two years.

<sup>2</sup> The gathering of data in this breakdown commenced in the second half of 2007.



### **Breastfeeding in the branch**

An incident that occurred in September 2008 served as a regrettable, yet important lesson in customer relations. A mother with a small baby visited one of our Budapest branches. While waiting to be served, she breastfed her small, one-and-a-half-week-old baby in the bank. When dealing with this situation the branch staff, in the customer's opinion, did not exercise the appropriate level of care. As a result the customer lodged a complaint. The practice of breastfeeding in public has not, as yet, been established in our society, and no generally accepted principles exist for dealing with the specific situation that arose. CIB Bank responded to the incident with the following unconditional apology:

*"Regardless of what events may have led to the customer lodging a complaint, and of what actually occurred, we deeply regret that customer feels that one of our employees breached her human dignity, and rather than making any further attempts to explain ourselves we apologise. As a result of this incident, when training our customer service employees in future we will place a greater emphasis on preparing them for situations in which they have to serve customers with small children. Besides this, as a general practice, where possible we attempt to serve pregnant women or mothers with small children out-of-turn, or at least to call them to the counter or serve them before their number would otherwise be displayed by the queue management system."*

*We make every effort to serve all our customers to the highest standards, in keeping with their individual requirements. To this end we have taken steps to improve the quality of relations with our customers, and to prepare for the various special circumstances that they may find themselves in. Having made the necessary preparations last year, in 2009 we plan to develop a special set of conduct guidelines, with the involvement of the groups that are most affected by these issues, and the organisations that represent their interests. In the course of this work we will devote special attention to drafting individual recommendations for dealing with pregnant women and customers with small children, as well as senior citizens and customer with disabilities. Our aim is to assess their needs by means of a multilateral dialogue, and to identify the methods and opportunities with which day-to-day relationships can be conducted to a higher standard, paying even more attention than before to the special needs of these customers. We will give a detailed account of the results of this initiative in next year's Sustainability Report.*

### **Defibrillators in CIB's buildings**

*In June and July, CIB was the first bank in Hungary to install life-saving automatic defibrillators in six of its central buildings in Budapest, and in four of its main provincial branches – in Debrecen, Pécs, Szeged and Szombathely. The staff authorised to use the devices received training in their use and in the resuscitation process from specially qualified trainers, and at the end of June were presented with life saver's certificates.*

## The CIB Group's role in the wider community

Our definition of community relations includes our relationships with the representatives of state institutions (government, local councils, regulatory authorities, supervisory bodies), industry organisations (associations, professional federations, chambers) and the third sector (non-profit organisations, foundations, local communities).

### A brief introduction to our community relations

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 Competition Office and the National Bank of Hungary.

In our relationships with representatives of the third sector, too, we always strive to ensure that the social causes supported by the bank group generate the greatest possible value for all stakeholders. The provision of financial assistance is **only one means of achieving this**, as we also aim to promote the development of the NGO sector **through the forming of professional partnerships**. CIB Bank established the CIB Corporate Social Responsibility Foundation in 2005 with the aim of ensuring transparency in our sponsorship of NGOs that perform work for the public good. A detailed account of the Foundation's operations is given later, in a separate article.

**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, with a means of upholding and protecting its interests as part of a structured advocacy group.

An **important part** of the CIB Group's corporate social responsibility program is **cooperation with the third-sector and local communities**. Our support for the voluntary sector – in keeping with our core business profile – should also be reflected in our product development work, since as a financial service provider we wish to actively contribute, through the development of new products, to the implementation of community initiatives and the fulfilment of community objectives. This process was greatly assisted by the dialogue that was launched between the bank and various civic organisations at the Euclid conference, which was sponsored by CIB Bank at the beginning of 2008. (See separate article.)

The CIB Group does not, in any way, support politicians or political parties, or institutions with which they are associated.

#### *Conference on cooperation between the financial and civic sector*

*The Euclid Network of third-sector leaders held its first conference in Central and Eastern Europe, under the title of "Innovative Local Development Methods in Central and Eastern Europe", on 18 April 2008. The prime objective of the event, the chief sponsor of which was CIB Bank and which was attended by almost 100 participants, was to develop a new approach to sustainable development that could serve as a basis for cooperation between civic and governmental organisations, and financial corporations. A multi-stakeholder approach such as this could represent the foundation for regional growth, with the participation of the heads of various corporations, the public sector and the voluntary sector, as well as the various pan-European institutions and multilateral organisations. Building on the professional consultations held during the conference and in the period that followed it, and the lessons that could be drawn from them, CIB Bank has since transformed its range of products aimed at non-profit organisations.*

### Cooperation with the authorities

The CIB Group places particular emphasis on conducting its operations in a law-abiding manner, and complying with the statutory provisions in all respects. **Our guiding principle is to cooperate as fully as possible with the state authorities, carrying out all their requests and orders.**

- At the end of 2007 the Competition Office launched two proceedings on charges of misleading advertising in relation to two of our products. The investigation was completed in 2008, and the Competition Office imposed a fine of HUF 90 million on the Bank.

- In 2008 – based on competition-law proceedings launched by the European Commission – investigations were launched into alleged uncompetitive conduct on the part of 23 banks in Hungary, and on the part of the VISA and MasterCard bank card companies, regarding the domestic interchange fees related to purchases made with bank cards. The proceeding is still ongoing, and the Competition Office is consulting with the banks concerned on a continuous basis regarding the necessary commitments to be made.

## Active participation in the work of professional organisations

- CIB Bank participated in the work of 30 associations and professional bodies last year. We are represented in organisations such as the Hungarian Banking Association, the deputy-chairmanship of which was taken up in the second half of 2008 by our Bank's CEO at the time, **Dr. László Török**. The most important task of the Banking Association is to represent and uphold the professional interests of its members, and arrive at an industry-wide consensus on various issues. Detailed information regarding the work coordinated by the Hungarian Banking Association in the interests of raising the standard of retail banking services is contained in the section entitled 'Our Customers'.
- **Tibor Galambos**, CEO of the CIB Leasing Group and chairman of the Ethics Committee, was elected deputy chairman of the Hungarian Leasing Association. The Association was established in 1991 with the participation of 12 leasing companies, and currently consists of 52 financing companies and 25 associate members.
- **Egon Hajdú**, head of the IR Trade Desk that operates within the Treasury, was appointed as an arbitrating judge at the Money and Capital Market Permanent Court of Arbitration, with a five-year mandate.

## Support for NGOs

Integral to our corporate social responsibility is the support we provide to the third, or non-profit, sector. Financial assistance only represents a part of this, because we believe

that we must also actively contribute as a financial service provider to the implementation of initiatives at local-community level. Accordingly we launched two important strategic initiatives, which have already been described in more detail earlier in this document (see: Non-profit Account Packages, Euclid conference). Financial support for public-benefit organisations continues to be provided by the CIB Corporate Social Responsibility Foundation. (For more details of the Foundation's operation, see separate article.)

**In 2008 the four main areas for our sponsorship activities continued to be children's health, financial education, music and the arts, and environmental protection.** Our guiding principle is to forge long-term, strategic partnerships with deserving NGOs and foundations, helping to make the operation of these organisations predictable and easier to plan in the long term, and facilitating the implementation of programs over a longer time-span. For us, beyond the provision of financial support, a strategic relationship of this nature also entails assisting the organisations by other means, for example through voluntary work and the sharing of expertise. The key areas of our sponsorship:

### Children's health

CIB Bank is a strategic partner of the **Bátor Tábor (Camp of Courage) Foundation**, which organises adventure camps for children suffering from chronic diseases. We have supported the implementation of their various initiatives and projects for many years now. We believe that a commitment to society has motivating effect on our staff in their work at the Bank, and therefore we take every opportunity to identify the points of contact between our various initiatives, to further reinforce the beneficial impacts of these measures. In 2008 we once again organised the AC Milan Junior Football Camp in Budapest, attended by a number of chronically ill children from the Camp of Courage.

### Promoting a healthy lifestyle

Besides its efforts to ensure the early recognition of diabetes, the **Egy Csepp Figyelem (A Drop of Care) Foundation** also does much to promote a healthy lifestyle. Thanks to the foundation some 200 secondary schools in Hungary now have their own blood sugar measuring devices, and almost 3,000 university students had the opportunity to assess their state of health at the free "health days" or-

ganised by the foundation. Between November 2005 and 31 December 2008 the foundation launched six media campaigns with the assistance of its sponsors – including the CIB Corporate Social Responsibility Foundation – through which it reached several millions of people with its message promoting healthy living.

### Environmental protection

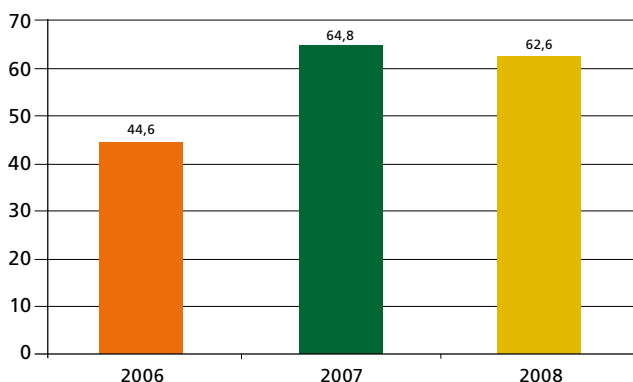
The **Hungarian Cyclists' Club** held its "Bike to Work!" campaign, to popularise the bicycle as a means of travel to and from work, in autumn 2008. Participants who registered on the campaign's website formed virtual teams, posting the distances they travelled to and from work by bicycle. In the resulting competition, companies were invited to compete in the nano, micro, small medium and large corporation categories. The CIB Foundation made a substantial contribution to the annual implementation of this initiative.

The **Energia Klub (Energy Club)** is an independent, professional body that has spent the past 16 years promoting energy efficiency, the more widespread use of renewable energy, and the implementation of sustainable energy consumption strategies and energy policies. The purpose of the association's nationwide "Lakcímke" (Home Certification) campaign was to assist in achieving broader social acceptance of the certification system, and to support the population in making energy efficiency investments. The CIB Foundation continued to provide assistance for the achievement of this goal in 2008.

### Culture

The Foundation has forged a multi-faceted partnership with the **Folk Music Department of the Academy of Music**. Among other projects, it has provided assistance for the collection and digital processing of authentic folk-music, the development of teaching materials, the purchase of important musical instruments, the provision of financial support for the most talented students, and the organisation of folk-dancing clubs.

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



### CIB Corporate Social Responsibility Foundation

*CIB Bank established the CIB Corporate Social Responsibility Foundation in 2005 with the aim of assisting organisations performing work for the public good, and to draw society's attention to the importance of the aims that they pursue. The Foundation provides assistance from the assets at its disposal, based on the written applications it receives.*

*The Foundation gives special priority to supporting organisations that have achieved notable success in initiatives related to children's health, music, financial education and environmental protection. The Foundation's Board of Trustees makes its decisions regarding the allocation of financial assistance at meeting that are usually held at quarterly intervals. (The founding deed of the Foundation stipulates the holding at least two Board of Trustees meetings a year.) In 2008 the members of the Board of Trustees were as follows:*

*Dr. László Török,  
CEO of CIB Bank (Chairman of the Board of Trustees)*

*Judit Lamboy Petzné,  
Managing Director of CIB Bank*

*László Magyar,  
Managing Director of CIB Bank*

*The CIB Foundation publishes regular reports on its operations and the decisions of the Board of Trustees, which can be downloaded from the Foundation's website, at [www.cibalapitvany.hu](http://www.cibalapitvany.hu). In the past years the CIB Corporate Social Responsibility Foundation has attempted, through its support for public-benefit organisations, to further causes that are regarded as particularly important by us all. In the course of its three-year history to date, the Foundation has provided some 70 organisations, associations and foundations with more than HUF 170 million in financial assistance. We are proud of the results we have achieved so far, and in future we will be unceasing in our efforts to ensure that the Corporate Social Responsibility Foundation continues to support projects that make a real difference, thereby contributing to the most worthy initiatives in Hungary. Details of the organisations supported by the CIB Corporate Social Responsibility Foundation in 2008 are contained in the appendix to this report.*

### *Fun and adventure at the 'Camp of Courage'*

Every year several hundred chronically ill children attend the adventure therapy camps organised by the *Bátor Tábor (Camp of Courage) Foundation*, based on referrals by children's hospitals in Hungary. In 2008, an international program was also launched, with the participation of Czech and Polish children. The CIB Foundation collaborates with the *Bátor Tábor Foundation* in respect of several areas of its operation: with the Foundation's assistance the adventure camp was expanded with the addition of several new buildings (for example the 'CIB Lodge'), an obstacle course, selective waste disposal equipment and several outdoor development toys.

Every year the *Bátor Tábor Foundation* undertakes a number of developments and projects. The following are just a few of the projects implemented last year: a rope slide was constructed; several conferences were organised for the region's main children's health centres, selective waste disposal was launched at the *Bátor Tábor* campsite, a modern photographic studio was fitted out, one-day family outings were organised; and with the assistance of the Paediatric Oncology and Haematology Section of the Hungarian Paediatricians' Society, the conditions were created for haemophiliac children to attend the camps. Last year 395 children suffering from cancer, diabetes, haemophilia and chronic arthritis were treated to an unforgettable and life-enriching experience at the 'Camp of Courage'. This means that in 2008 the number of participants in the adventure camps rose by a factor of one and a half; and in autumn 38 families nursing a sick child arrived at the adventure camp in Hatvan.

### *CIB Bank's patronage of the arts*

- With the support of the CIB Corporate Social Responsibility Foundation the **KOGART Art Foundation** commenced its search for promising new talent. The foundation hosts exhibitions for the up-and-coming young artists, and also purchases some of their works. The first exhibition opened to the general public in December 2008.
- CIB Bank was chief sponsor of the **Budapest Art Fair**, held in November, which was the largest event of its kind in Hungary in 2008.
- CIB Bank also sponsored the highly successful renaissance exhibition of the **Hungarian National Gallery**, showcasing the cultural heritage of the reign of King Matthias.



## Our environmental impact

Today everybody is fully aware that climate change is not just a theory, but a stark reality.

And this means that we must do more every year to minimise the environmental impacts of our operation. Therefore we are making an effort to reduce the direct and indirect environmental burden arising from our activities to

the absolute minimum. The table below shows the change in the CIB Group's direct environmental impact over recent years.

### Key environmental performance indicators of the CIB Group<sup>1</sup>

|                          | Unit of measurement | 2006 <sup>2</sup> | 2007       | 2008       |
|--------------------------|---------------------|-------------------|------------|------------|
| Total energy consumption | GJ                  | 88,353            | 101,730    | 131,696    |
| Electricity consumption  | kWh                 | 11,416,187        | 14,472,439 | 20,162,303 |
| Other renewable energy   | kWh                 | -                 | 73,000     | 115,189    |
| Natural gas consumption  | m <sup>3</sup>      | 854,682           | 854,649    | 1,053,435  |
| Fuel consumption         | l                   | 443,249           | 646,967    | 728,890    |
| Water consumption        | m <sup>3</sup>      | 25,284            | 28,502     | 30,295     |
| Vehicle fleet            | Number of vehicles  | 290               | 391        | 450        |
| Paper consumption        | kg                  | 158,726           | 168,432    | 238,896    |

|  |                        |       |       |        |
|--|------------------------|-------|-------|--------|
| Energy consumption per employee                                | GJ/person              | 30.70 | 33.14 | 35.70  |
| Energy consumption per m <sup>2</sup> of office space          | GJ/m <sup>2</sup>      | 1.33  | 1.44  | 1.46   |
| CO <sub>2</sub> emissions from energy consumption <sup>3</sup> | t                      | 7,355 | 9,082 | 11,958 |
| CO <sub>2</sub> emissions from energy consumption per employee | t                      | 2.56  | 2.96  | 3.24   |
| Water consumption per employee                                 | m <sup>3</sup> /person | 8.80  | 9.30  | 8.21   |
| Paper consumption per employee                                 | kg/person              | 55.20 | 54.90 | 64.80  |

## Environmental management

Guidance related to the specific tasks aimed at mitigating environmental impacts is provided by the environmental protection and safety at work program approved in 2006. We continue to treat mapping and gaining the most accurate possible understanding of our environmental impacts, both in terms of energy consumption and emissions, as an important priority. At the end of 2008 CIB Bank launched a major internal communication campaign in the interests of encouraging a conscious effort to adopt more environmentally-friendly and energy-efficient working practices. Our circulars contained tips and useful advice to help in-

stil a more environmentally aware approach; while at the same time we remain receptive to all suggestions from our employees. A growing number of computers and electronic office equipment bear stickers instructing users to: "Switch me off when I'm not in use!" Besides promoting environmentally aware attitudes within the Bank, with our various projects and sponsorship policies we strive to also disseminate this philosophy among our customers and broader groups within society.

We regard as an unqualified success the deliberate efforts to reduce water consumption per employee, which was achieved partly through an internal awareness-raising campaign, and partly through the installation of

<sup>1</sup> Certain data for 2006 and 2007 has been corrected owing to clarification of the data-gathering procedures and methodology.

<sup>2</sup> The data for 2006 (except vehicle fleet and fuel consumption data) only include the figures for CIB Bank Ltd. Based on the 2008 data it can be stated that the difference between the bank and group data in 2006 was, in all likelihood, less than 4%.

<sup>3</sup> Does not include CO<sub>2</sub> emissions resulting from air travel. The calculation was performed in accordance with the GHG Protocol Initiative developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

water-saving devices. As a result of the merger between CIB Bank and Inter-Európa Bank, the head office building of the latter, a part of Budapest's architectural heritage – located in Szabadság tér and built at the turn of the 20th century – came to be included in the CIB Group's property portfolio. The energy consumption of this building is higher than that of the modern office buildings, constructed with the latest technologies; and the acquisition also led to an increase in the area of office space per employee. It was the technological and architectural attributes of this building that caused the unfavourable change in the per-employee energy consumption figures.

## Energy usage

In order to make better use of renewable energy sources, in 2006 **we fitted solar panels to the roof our office centre in Petrezselyem utca, as a more economic, environmentally friendly and sustainable means of supplying the office building with hot water.** The first stage of the project proved to be an unqualified success, and our calculations show that the cost of the investment will be recouped in a shorter time than was previously forecasted – eight years rather than the original projection of 11 years – due to the higher-than-expected efficiency of the solar panels, and to the rise in energy prices. In 2007, due to the operation of the first solar panels, we used some 7,700m<sup>3</sup> less natural gas than before, which resulted in a saving of around HUF 800,000 and reduced our harmful emissions by a total of 15.2 tons. In 2007, the energy produced by solar panels replaced 0.9% of the total gas consumption of the CIB Group. Encouraged by these excellent initial results, in 2007 we continued installation of the solar panels, fitting additional units to our existing central offices and our new building in Medve utca, and to the building housing the CIB24 call centre. As a consequence of this, almost 60% of the hot water supply for our three central buildings is now provided in this manner. In 2008 our solar panels generated energy equivalent to seven years' consumption of natural gas by an average Hungarian household, and led to a saving of around HUF 1.5 billion in energy costs. As a result, in 2008 we saved 11,166 m<sup>3</sup> of gas (1.06% of the total annual consumption), therefore we could decrease emissions by 22 tons.

Through the responsible use of energy, and measures aimed at cutting down on waste and reducing our resource requirements, as well as the more rational and efficient use of energy, we can all make a contribution to sustainable development. **We make an effort to persuade all our employees** that by following certain advice regarding heating, lighting, office and kitchen appliances – which have the greatest impact on the environment – we can create better working conditions and help to promote a culture of sustainability. To this end we provided the following advice and useful tips to our employees, to assist them in making rational use of energy:

- At the beginning of the "heating season" we drew attention to the need to ventilate rooms properly, and to use thermostats to regulate the temperature.
- A great deal of energy can be saved through the optimal use of lighting.
- Considerable energy savings can also be made through the proper use of office machines and kitchen appliances, for example by unplugging chargers, switching off computers and monitors when not in use, and disconnecting them from the power supply after work – switching them off rather than placing them in standby mode.
- We also asked to colleagues to be sparing in their use of lifts.

## Paper, office supplies and chemical usage

Last year the range of **paper-free solutions and services continued to be expanded.**

- CIB Leasing introduced a new, **electronic invoicing system** for customers with leasing and loan contracts, which has led not only to considerable cost savings, but also to a substantial reduction in paper usage, thus making a major contribution to environmental sustainability.
- In another initiative to promote environmental awareness, in the case of **CIBEZZ (Let's CIB) current account products** – which are mainly aimed at young customers – we are making an effort to cut back on the mass mailing of paper-based postal payment slips.



- We also encourage the Bank's employees to switch from receiving paper-based monthly account statements to the more ecologically sound electronic versions, and in future we will no longer print out the bank statements of 3-4,000 employees who hold an account at the Bank, leading to substantial paper and cost savings.
- Most of our internal correspondence now takes place via the company intranet, and we request all employees to only print out the content of their emails where absolutely necessary. Similarly, the majority of greetings and invitation cards sent to recipients outside the bank are now transmitted in electronic form.
- We have restricted the number of colour printouts and photocopies: all employees have been requested to make printouts and photocopies, where strictly necessary, in black and white. We have rationalised our printer capacity, whenever possible replacing small local printers with high-capacity, centralised machines. We also encourage double-sided printing.
- At the same time, we continue to stipulate that, wherever circumstances allow, the greatest possible proportion of paper used should be recycled.

## Waste management

We continue to regard it is important to **generate as little unnecessary waste as we can in the course of our work**, and for the waste that is produced not to be treated as garbage, but recycled whenever possible.

- To serve this purpose we have installed office waste paper collection bins in our central offices, enabling the employees who work there to selectively dispose of the paper waste generated in the course of their work. **We have also placed paper installation bins in the photocopying rooms. We shred paper waste in the central shredder, and transport it in bales to the Csepel Paper Factory for recycling.**
- We also separately collect PET bottles, which are compressed using a bottle crusher installed for this purpose. The selected and compressed plastic waste is taken away for the purpose of recycling.
- To ensure the **proper disposal of electronic waste**, the bank has drafted an agreement with the Hungarian Maltese Charity Service, under which all the e-waste produced in the course of CIB Bank's operations is handed over to the electronic waste processing plant run by the Service. As a result, besides fulfilling important environmental objectives, we are also helping to create jobs for persons in need of work.
- We collect the **dry cells expended in the course of our work**, and provide for their proper disposal.

### Quantity of waste generated by type (kg)<sup>1</sup>

|  | 2007          | 2008          |
|--|---------------|---------------|
| Paper  | 13,700        | 23,840        |
| Packaging materials  | 1,160         | 1,000         |
| Office machinery   | 1,700         | 2,960         |
| Hazardous waste  | 900           | 1,523         |
| Used dry cells   | 100           | 365           |
| Waste that is damaging to the ozone layer (e.g. refrigerators) | 800           | 1,158         |
| Other  | 0             | 365           |
| <b>Total</b>   | <b>17,460</b> | <b>29,688</b> |

## The impacts of transportation

- In the interests of reducing the emissions resulting from travel by employees of the bank group, we continued our initiative to support commuting by bicycle. In 2008 **we constructed new bicycle** storage facilities in our office centre in Petrezselyem utca, and office centres I and II in Medve utca; besides which – with the support of the Hungarian Cyclists Association – we successfully applied for official permits to install bicycle racks on the pavement outside our branches.
- Thus, as the culmination of several years' work, we have **established the basic infrastructure for travel by bicycle**, as 71 guarded bicycle storage racks, shower facilities and changing lockers now enable almost 2,300 employees working at CIB Bank's central offices to choose an environmentally-sound and healthy means of travelling between their home and work.
- We have drafted an agreement with the Hungarian Cyclists' Club and Studio Metropolitana, under which – in 2009 – the CIB Group will be able to commence the development of **Workplace Travel Plans** in respect of some 900 employees at the main central office building. The program comprises a number of initiatives launched by companies, aimed at reducing the proportion of journeys made by car, thereby reducing the related costs and harmful environmental impacts.
- As a part of the autumn **"Bike to Work!"** campaign, 45 of our employees pedalled a total of 3,846 kilometres, thus relieving their environment of 715 kg of carbon dioxide emissions.
- As a result of the vehicle **procurement tender successfully completed** in 2008, three models of hybrid-drive vehicle were included among the available company vehicles, of which – in accordance with the vehicle guidelines – two types (Honda Civic and Toyota Prius) fell into the "D" category, and one (Lexus GS 450) belonged in category "A".

<sup>1</sup> Comprehensive data is not available in this breakdown for 2006.

## Environmental considerations related to our core business

- As always, we will continue **striving to observe our long-term environmental strategy in the fullest possible extent**. Both in our internal and external communication, we emphasise that safeguarding our precious environmental resources is of critical importance to the Bank.
- **We ran an internal communication campaign to assist our employees** in the assimilation of the “green attitude”. Among other initiatives, in articles on environmental awareness (e.g. energy saving, paper saving, waste collection) published via the company intranet, we drew our employees’ attention to the ecologically-aware use of energy and the need to reduce harmful emissions, and also affixed „Switch me off when I’m not in use!” stickers to electronic office equipment (monitors, printers, computers).
- The corporate division **devotes special attention** to the applications it receives for the financing of projects that bring particular social and environmental benefits. These include investments in energy efficiency, the recycling of waste, and the generation of energy from renewable sources. In the second half of the year, loan applications in a combined value of several tens of billions of forints were approved.
- We strive to assume a role in the **promotion of environmentally sound energy use**, to which end we have, for many years, supported the efforts and work of the non-governmental organisation Energia Klub (Energy Club). With the Bank’s assistance a book of energy-saving guidelines was published, which was also made available to our own employees.
- When evaluating bids in procurement tenders and other projects, **we take into consideration which of the potential suppliers uses recycled materials**. We are currently drafting a supplier’s declaration, in which potential bidders will make a statement regarding the environmental awareness of their operation.

# Appendix

## Awards and accolades

### ***"Green Frog" award***

In 2008 CIB Bank won the "Green Frog" award, which is presented to those Central-European companies that prepare the best environmental or sustainability report in the given year. Last year the Green Frog award was presented for the seventh time by Deloitte Hungary Auditing and Consulting Ltd.

### ***Two silver EFFIE-winning advertising films***

The Hungarian branch of the International Advertising Association (IAA), in conjunction with the Association of Advertising Agencies in Hungary, presented the EFFIE awards – one of the most prestigious advertising industry accolades – for the seventh year running in 2008. CIB Bank won silver EFFIEs in two categories: in the image category for its "Cool Vet" concept, and in the financial services category for the CIB SME "Bázis" Business Account campaign.

### ***MasterCard – Bank of the Year 2008: Bank of the Year and Retail Electronic Banking Service of the Year***

On 16 October, the "MasterCard – Bank of the Year" awards were presented for the third consecutive year, in a total of nine categories. CIB Bank came first in two of these, sweeping the overall "Bank of the Year" award and the title of "Retail Electronic Banking Service of the Year", and took second place in a further four categories. As a new feature, introduced in 2008, participants also competed for the title of "Most Socially Responsible Bank of the Year". The nominations submitted for this category demonstrate that corporate social responsibility is growing in importance among the objectives of credit institutions.

### ***Superbrand award***

Based on the decision of the Superbrands panel of experts, CIB Bank was – for the fourth time – awarded the title of Superbrand in 2008. Superbrands is an independent organisation, established in 1995 in the United Kingdom to recognise excellence in brand-building, which today operates in 57 countries around the world. Its main objective is, by presenting awards to the strongest brands, to assist consumers in making brand-aware decision. Hungarian

Superbrands are selected from among the almost 50,000 registered trademarks listed in the database of the Hungarian Patent Office.

### ***Generali certificate of appreciation***

Insurance company General-Providencia Biztosító Zrt, a strategic partner of the bank group, has presented CIB Insurance Broker with a certificate of appreciation in recognition of its outstanding performance. The prestige of this accolade is illustrated by the fact that Generali only issued five such certificates countrywide; but the certificate awarded by the largest, central region – the Corporate and International Businesses Directorate – went to CIB Insurance Broker, placing it ahead of several hundreds of other agents, including several leading international brokerage companies.

### ***CIO 2008 award***

Attila Cselőtei, head of the Bank's IT Division, received the "CIO of the Year" award, based on the votes of the editorial team of Computerworld, leading IT market players and professionals, industry organisations (VISZ, IVSZ), and current and former IT managers.

### ***Best Retail Internet Bank 2008 – Gold Award***

On 24 March 2009 Privátbankár.hu announced the winners in the Best Retail Internet Bank 2008 survey. CIB Bank won the top award, the Best Retail Internet Bank 2008 Gold Award. In the course of the survey nine retail banks, selected on the basis of the number of their customers and size in terms of their total assets, were subjected to exceptionally close scrutiny. In the **Best Retail Internet Bank 2008** survey a total of seven service-provider groups were examined, and awarded points in accordance with a strict and highly complex set of criteria. Besides this, security considerations were also taken into account.

## Organisations supported by the CIB Corporate Social Responsibility Foundation in 2008

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*Foundation for Healthy Towns and Villages*

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*Bátor Tábor (Camp of Courage) Foundation*

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*Debreceni Universitas Kht.*

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*Egy csepp figyelem (A Drop of Care) Foundation*

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*Pannonhalma Abbey Foundation*

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*"Genie Oblige" Foundation for the Academy of Music*

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*Foundation for Szeged*

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*Energia Klub Environmental Protection Association*

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*Wonderlamp Wish Fulfilling Foundation*

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*Kopint Foundation for Economic Research*

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*Archdiocese Foundation*

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*Chance for Children Foundation*

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*Budai Polgár Kht.*

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*Budapest District II Law and Order Foundation*

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*Hungarian Kodály Society*

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*Zoltán Vancsó, photographic artist*

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*Gézengúz Foundation for Children with Birth Injuries*

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*Hungarian Clown Doctors Foundation*

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*Gábor Kovács Artistic Foundation*

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*Catholic Central Foundation*

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*District XII Law and Order Public Foundation*

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*Zoltán Kodály Choir School Foundation*

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*Foundation for Nursery-School Children in Sósút*

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*NOSZA Foundation for the Non-Profit Sector*

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*Think Healthy! Foundation*

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## The CIB Group's membership in professional organisations in 2008

|  |
|--|
| <i>Hungarian Banking Association</i>                                       |
| <i>Hungarian Leasing Association (CIB Leasing)</i>                         |
| <i>Budapest Stock Exchange</i>   |
| <i>The Academy Club Association</i>  |
| <i>American Chamber of Commerce</i>  |
| <i>Association of Environmental Enterprises</i>                            |
| <i>Association of Securities Dealers</i>                                   |
| <i>Banking Association for Central and Eastern Europe (BACEE)</i>          |
| <i>Call Center Club</i>  |
| <i>Chamber of Commerce of Békés county</i>                                 |
| <i>Controlling Benchmarking Club</i>                                       |
| <i>Gartner Core Research Advisor Sea</i>                                   |
| <i>GKI Economic Research Ltd.</i>  |
| <i>Hungarian Association of Security Executives</i>                        |
| <i>Hungarian Business Council for Sustainable Development</i>              |
| <i>Hungarian Chambre of Forensic Experts</i>                               |
| <i>Hungarian Detectvies' Association</i>                                   |
| <i>Hungarian Economics Association</i>                                     |
| <i>Hungarian Facility Management Society</i>                               |
| <i>Hungarian FOREX Association</i>   |
| <i>Hungarian Online Investment Service and Data Providers' Association</i> |
| <i>Hungarian SEPA Association</i>  |
| <i>Hungarian subsidiary of the itSMF</i>                                   |
| <i>Hungarian Venture Captial Association</i>                               |
| <i>IIA – Hungaraian Internal Auditors' Society</i>                         |
| <i>Institute of International Finance (IIF)</i>                            |
| <i>International Chamber of Commerce Crime Bureau</i>                      |
| <i>International Chamber of Commerce Hungary</i>                           |
| <i>International Financial Reporting Standards</i>                         |
| <i>International Systems Audit and Control Association (ISACA)</i>         |
| <i>Italian Chamber of Commerce in Hungary</i>                              |
| <i>Joint Venture Association</i>   |
| <i>KÖVET Association for Sustainable Economies</i>                         |
| <i>Pénzügykutató Ltd.</i>  |
| <i>Rotary Club</i>   |
| <i>SALDO Financial Consulting Ltd.</i>                                     |
| <i>Self-Regulatory Advertising Board</i>                                   |
| <i>Society for Worldwide Interbank Financial Telecommunication (SWIFT)</i> |
| <i>Rotary Club</i>   |

## Accountability Rating Hungary

The Accountability Rating Hungary (ARH) survey uses an internationally recognised methodology to examine – based on publicly available information – the importance that the leading Hungarian corporations place on efficiently managing social, economic and environmental challenges, how they incorporate these considerations into their business strategy, and the extent to which they involve their stakeholders in the decision-making processes.

This year was the third in which the largest Hungarian corporations and financial institutions – including CIB Bank – were evaluated in terms of their transparency, based on the internationally recognised Accountability Rating (AR) methodology. In the course of the survey the participants' performance was evaluated based on four aspects of their operation, all of which were weighted equally in the final score. CIB Bank's results in respect of these four aspects were as follows:

- Strategic intent: 59%
- Governance and management: 32%
- Engagement: 38%
- Operational performance: 43%

The ranking is prepared annually. Last year's survey covered the 40 largest Hungarian companies based on the Top200 list published by the magazine Figyelő in 2008, in addition to 20 other organisations operating in the oil industry, the automotive industry, the energy and public services industries, as well as the telecommunications, electronics and financial sectors.

As in the previous year, CIB Bank was among the top ten companies in 2008, with a 43% overall score, which means it is considerably more transparent than the average for Hungary (27.5%), and it also improved greatly on its result for 2007. If this result were evaluated using the global calculation methodology, CIB Bank would have achieved a 55% score, which would be sufficient to place it 24th in the global ranking (which contains the 100 largest corporations as listed by Fortune Magazine). The bank achieved its best performance in the area of strategy, while it has the most scope for improvement in terms of the transparency of its CSR management systems and corporate governance. CIB Bank's strategy and the objectives it sets from one year to the next, as well as its related reporting practices, could stand as an example for other companies.

### Accountability Rating Hungary ranking in 2008

| Place in 2008 | Place in 2007 | Name of company                      | Sector                             | ARH2008 result |
|---------------|---------------|--------------------------------------|------------------------------------|----------------|
| 1             | 1             | Magyar Telekom Távközlési Nyrt.      | Telecommunications and electronics | 62.7%          |
| 2             | 3             | MOL Magyar Olaj és Gázipari Nyrt.    | Oil industry                       | 62.3%          |
| 3             | 4             | Tiszai Vegyi Kombinát Nyrt.          | Raw materials manufacturing        | 56.0%          |
| 4             | 2             | Magyar Villamos Művek Zrt.           | Energy and public services         | 53.1%          |
| 5             | 18            | Magyar Posta Zrt.                    | Other                              | 52.0%          |
| 6             | 28            | OTP Bank Nyrt.                       | Finance                            | 49.8%          |
| 7             | 6             | Denso Gyártó Magyarország Kft.       | Automotive industry                | 45.5%          |
| 8             | 8             | AUDI Hungaria Motor Kft.             | Automotive industry                | 45.4%          |
| 9             | 26            | Richter Gedeon Vegyészeti Gyár Nyrt. | Pharmaceutical industry            | 45.2%          |
| <b>10</b>     | <b>9</b>      | <b>CIB Bank Zrt.</b>                 | <b>Finance</b>                     | <b>43.2%</b>   |
| 16            | 44-45         | K&H Bank Zrt.                        | Finance                            | 36.2%          |
| 24            | 25            | Generali-Providencia Zrt.            | Finance                            | 28.3%          |
| 29            | 39            | Raiffeisen Bank Zrt.                 | Finance                            | 24.8%          |
| 30            | 42            | Erste Bank Hungary Nyrt.             | Finance                            | 23.9%          |
| 33            | 40            | MKB Bank Zrt.                        | Finance                            | 22.5%          |
| 36            | 41            | UniCredit Bank Hungary Zrt.          | Finance                            | 22.2%          |
| 37            | 51            | ING Biztosító Zrt.                   | Finance                            | 21.9%          |
| 38            | 49            | Allianz Hungária Biztosító Zrt.      | Finance                            | 20.9%          |

## GRI content index

| Indicator | Short description   | Page number        |
|-----------|---|--------------------|
| <b>1</b>  | <b>Strategy and analysis</b>  |                    |
| 1.1       | Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.   | 11.                |
| 1.2       | Description of key impacts, risks, and opportunities  | 7., 12–15, 24–25.  |
| <b>2</b>  | <b>Organizational profile</b>   |                    |
| 2.1       | Name of the organization  | 16.                |
| 2.2       | Primary brands, products, and/or services   | 18.                |
| 2.3       | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures  | 17.                |
| 2.4       | Location of organization's headquarters   | 63.                |
| 2.5       | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report   | 16.                |
| 2.6       | Nature of ownership and legal form  | 16.                |
| 2.7       | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)   | 16–19.             |
| 2.8       | Scale of the reporting organization, including: <ul style="list-style-type: none"> <li>• Number of employees;</li> <li>• Net sales;</li> <li>• Total capitalization broken down in terms of debt and equity; and</li> <li>• Quantity of products or services provided</li> </ul>  | 16., 19., 28., 29. |
| 2.9       | Significant changes during the reporting period regarding size, structure, or ownership including <ul style="list-style-type: none"> <li>• The location of, or changes in operations, including facility openings, closings, and expansions; and</li> <li>• Changes in the share capital structure and other capital formation, maintenance, and alteration operations</li> </ul> | 62.                |
| 2.10      | Awards received in the reporting period   | 50.                |
| <b>3</b>  | <b>Report parameters</b>  |                    |
| 3.1       | Reporting period for information provided   | 62.                |
| 3.2       | Date of most recent previous report   | 62.                |
| 3.3       | Reporting cycle   | 62.                |
| 3.4       | Contact point for questions regarding the report or its contents  | 63.                |
| 3.5       | Process for defining report content, including: <ul style="list-style-type: none"> <li>• Determining materiality;</li> <li>• Prioritizing topics within the report; and</li> <li>• Identifying stakeholders the organization expects to use the report</li> </ul>   | 62.                |
| 3.6       | Boundary of the report  | 62.                |



| Indicator | Short description  | Page number  |
|-----------|--|--------------|
| 3.7       | Any specific limitations on the scope or boundary of the report  | 62.          |
| 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 organizations | Not relevant |
| 3.9       | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report          | 62.          |
| 3.10      | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement   | 62.          |
| 3.11      | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report   | 62.          |
| 3.12      | Table identifying the location of the Standard Disclosures in the report   | 54–57.       |
| 3.13      | Policy and current practice with regard to seeking external assurance for the report   | 62.          |

|          |   |              |
|----------|---|--------------|
| <b>4</b> | <b>Governance, commitments and engagements</b>  |              |
| 4.1      | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight   | 24.          |
| 4.2      | Indicate whether the Chair of the highest governance body is also an executive officer  | 22.          |
| 4.3      | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members   | 22.          |
| 4.4      | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body  | 22.          |
| 4.5      | Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance, including social and environmental performance  | 32.          |
| 4.6      | Processes in place for the highest governance body to ensure conflicts of interest are avoided  | 22–23.       |
| 4.7      | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics  | 24–26.       |
| 4.8      | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation   | 4., 22., 23. |
| 4.9      | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles | 24–26.       |
| 4.10     | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance  | 32.          |
| 4.11     | Explanation of whether and how the precautionary approach or principle is addressed by the organization   | 22–23.       |
| 4.12     | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses   | 27., 58.     |
| 4.13     | Memberships in associations (such as industry associations) and/or national/international advocacy organizations  | 52.          |

| Indicator | Short description  | Page number           |
|-----------|--|-----------------------|
| 4.14      | List of stakeholder groups engaged by the organization   | 16.                   |
| 4.15      | Basis for identification and selection of stakeholders with whom to engage   | 16.                   |
| 4.16      | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group   | 16., 17., 30., 36–38. |
| 4.17      | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting | 30., 36–38.           |

|          |                            |  |
|----------|----------------------------|--|
| <b>5</b> | <b>Management approach</b> | In chapters describing different fields of our social responsibility, usually in the first paragraph |
|----------|----------------------------|--|

| EC  | Economic indicators  |               |
|-----|--|---------------|
| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments | 20.           |
| EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation  | 28., 29.      |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation   | 20., 21.      |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation   | 22., 28., 29. |

| LA   | Labour practices and decent work indicators   |                  |
|------|---|------------------|
| LA1  | Total workforce by employment type, employment contract, and region   | 28., 29.         |
| LA2  | Total number and rate of employee turnover by age group, gender, and region   | 29.              |
| LA3  | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations   | 32–33.           |
| LA4  | Percentage of employees covered by collective bargaining agreements   | 30.              |
| LA7  | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region   | 34.              |
| LA8  | Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | 34.              |
| LA10 | Average hours of training per year per employee by employee category  | 32.              |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings                         | 30–32.           |
| LA12 | Percentage of employees receiving regular performance and career development reviews  | 32.              |
| LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity         | 17., 22., 28–29. |
| LA14 | Ratio of basic salary of men to women by employee category  | 33.              |

| Indicator | Short description   | Page number |
|-----------|---|-------------|
| <b>HR</b> | <b>Human rights indicators</b>  |             |
| HR6       | Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour                         | 30.         |
| HR7       | Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour | 30.         |

|           |   |        |
|-----------|---|--------|
| <b>PR</b> | <b>Product responsibility indicators</b>  |        |
| PR5       | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction  | 39–40. |
| PR7       | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes | 42–43. |
| PR8       | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data   | 39–40. |
| PR9       | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services   | 42–43. |

|           |  |   |
|-----------|--|---|
| <b>SO</b> | <b>Society indicators</b>  |   |
| SO3       | Percentage of employees trained in organization's anti-corruption policies and procedures                                  | 22–23.  |
| SO6       | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country  | 42–43.  |
| SO7       | Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes         | 42–43.  |
| SO8       | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations | No significant fines or non-financial sanctions |

|           |   |        |
|-----------|---|--------|
| <b>EN</b> | <b>Environmental indicators</b>   |        |
| EN3       | Direct energy consumption by primary energy source  | 46.    |
| EN4       | Indirect energy consumption by primary source   | 46.    |
| EN5       | Energy saved due to conservation and efficiency improvements  | 47.    |
| EN16      | Total direct and indirect greenhouse gas emissions by weight  | 46–48. |
| EN18      | Initiatives to reduce greenhouse gas emissions and reductions achieved                                  | 46–48. |
| EN22      | Total weight of waste by type and disposal method   | 48.    |
| EN26      | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | 46–48. |

|      |  |          |
|------|--|----------|
|      | <b>Financial sector specific indicators</b>  |          |
| FS5  | Interactions with clients/investees/business partners regarding environmental and social risks and opportunities | 42.      |
| FS6  | Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector     | 19., 20. |
| FS14 | Initiatives to improve access to financial services for disadvantaged people                                     | 36.      |
| FS16 | Initiatives to enhance financial literacy by type of beneficiary   | 38–39.   |

## Communication on Progress, Global Compact

|                  | <b>Global Compact principles</b>  | <b>Our performance</b>   | <b>Related GRI indicators</b>                   |
|------------------|---|--|---|
| Human Rights     | 1. Business should support and respect the protection of internationally proclaimed human rights; and                     | <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 its operation the bank fully respects the Hungarian Constitution and all other general domestic and international treaties on human rights and ethics.</li> <li>● We handle with high priority the security of the customers' personal data. We investigate complaints of data handling, and we take steps to decrease the number of these complaints.</li> </ul>  | <b>EC5<br/>LA7, LA8,<br/>LA13, LA14<br/>PR8</b> |
|                  | 2. make sure they are not complicit in human rights abuses.   | <ul style="list-style-type: none"> <li>● The implementation of the Code of Ethics within the organisation began in the second half of 2008 in the form of an internal communication campaign, to be continued with even greater intensity in 2009.</li> <li>● 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> </ul>  | <b>HR6, HR7</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. 9.7% of the employees were members of the trade union at the end of 2008.. The members of the Employees' Council were successfully elected.</li> </ul>  | <b>LA4</b>                                      |
| Labour standards | 4. the elimination of all forms of forced and compulsory labour;  | <ul style="list-style-type: none"> <li>● The bank abides by the laws of the country, 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>  | <b>HR7</b>                                      |
|                  | 5. the effective abolition of child labour; and   | <ul style="list-style-type: none"> <li>● The bank abides by the laws of the country and the relevant paragraphs of the Hungarian Constitution (70/B).</li> </ul>   | <b>HR6</b>                                      |
|                  | 6. the elimination of discrimination in employment and occupation.  | <ul style="list-style-type: none"> <li>● 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. To this end, since 2006 we have maintained a relationship with the National Alliance of Disabled Persons' Associations (MEOSZ), whom we keep informed regarding current job opportunities.</li> <li>● We put emphasis on the fulfillment of gender-based equality: the difference of wages between male and female employees is significantly smaller than the domestic and European average. Our long term commitment is the full compliance with the "same job, same wage" principle.</li> </ul> | <b>LA13, LA14</b>                               |

## Communication on Progress, Global Compact

|                 |  |   |                                 |
|-----------------|--|---|---------------------------------|
| Environment     | 7. Business should support a precautionary approach to environmental challenges;                 | <ul style="list-style-type: none"> <li>● We aim to use all our resources sparingly, and promote behaviour based on the best use of resources and the avoidance of waste and ostentation. We give priority to those solutions that take sustainability into account</li> <li>● When evaluating bids in procurement tenders and other projects, we take into consideration which of the potential suppliers uses recycled materials. We are currently drafting a supplier's declaration, in which potential bidders will make a statement regarding the environmental awareness of their operation.</li> <li>● We have launched numerous initiatives aimed at reducing energy and water consumption, 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> | EN26                            |
|                 | 8. undertake initiatives to promote environmental responsibility; and                            | <ul style="list-style-type: none"> <li>● With an internal communication campaign we assisted our employees in assimilating a "green approach", which included the publication of articles about environmental awareness on the company intranet.</li> <li>● In its project financing operations the corporate division places particular emphasis on initiatives that have particular social and environmental significance. These include investments in energy efficiency, the recycling of waste, and the generation of energy from renewable sources.</li> </ul>  | EN4, EN5, EN6, EN22, EN26, EN29 |
|                 | 9. encourage the development and diffusion of environmentally friendly technologies.             | <ul style="list-style-type: none"> <li>● We endeavour to assume a role in the promotion of environmentally sound energy use, to which end we have, for many years, supported the efforts and work of the non-governmental organisation Energia Klub (Energy Club). With the assistance of the Bank, a book of guidelines has been published regarding the environmental impacts of energy usage, which we have made available to our employees.</li> </ul>  | EN5, EN6, EN26                  |
| Anti-corruption | 10. Businesses should work against corruption in all its forms, including extortion and bribery. | <ul style="list-style-type: none"> <li>● The bank abides by the laws of the country.</li> <li>● The bank has approved the Code of Ethics and the Code of Conduct setting forth the standards of behaviour that are expected of our employees, which also has a section devoted to the prohibition of corruption.</li> </ul>   | SO3                             |

# Assurance Statement



## To the management and stakeholders of CIB Group

CIB Group's (CIB) Sustainability Report 2008 (Report) has been prepared by the management of the group, who retain responsibility for the data and information included. Alternate Consulting (Alternate) was assigned to carry out assurance engagement on the data and information of the full Report, check the declared Global Reporting Initiative (GRI) Application Level, formulate expert recommendations on potential improvements of the Report and to give a public statement of the findings.

## Methodology

This engagement has been performed in accordance with the GRI principles (materiality, stakeholder inclusiveness, sustainability context, completeness, balance, comparability, accuracy, timeliness, clarity, reliability) and recommendations. We carried out the following:

- ✿ Information check:
  - ✿ Interviewed a selection of six senior managers and experts;
  - ✿ Reviewed CIB's approach to data collection and checked data on a random selection;
  - ✿ Benchmarked the Report against previously published data, information and goals;
  - ✿ Benchmarked financial data against the data audited by financial auditors.
- ✿ GRI Application level check:
  - ✿ Reviewed in detail the GRI indicators, and
  - ✿ The GRI Content Index.

The assurance engagement covered the full report and the information contained, related to the full CIB Group. The engagement did not include site visits or external stakeholder engagement.

## Conclusions

CIB has shown a remarkable improvement in its approach, methods and systems of data collection, especially in the field of environmental performance, labour practices and customer complaints. Our work confirms that the data and information included in CIB's Sustainability Report 2008 are reliable, and serve as an adequate basis for the stakeholders to create a view of the group's performance. The Report fulfils the requirements for Application Level "B" of the GRI Guidelines concerning the ten principles and the indicators, or provides sufficient and valid explanation for the deficiencies.

## Declarations

As an independent consultancy, Alternate Consulting has no financial or other dependencies on CIB Group beyond the scope of this engagement. We fulfil the key quality requirements for external assurance listed in the GRI Guidelines. The engagement was carried out with impartial approach and more than ten years of professional experience in the field of sustainability reporting by Katalin Urbán. More information: [www.alternate.hu](http://www.alternate.hu)

## Expert Recommendations

We give the following recommendations concerning the report-writing procedure, and the data and information presented in the Report:

- ✿ Involve external stakeholders of CIB in the process of determining report content and focuses.
- ✿ CIB should present its role in the national economy integrated with the introduction of macroeconomic circumstances.
- ✿ CIB should examine and report on the indirect effects of its services, the resulting economical, social and environmental responsibility and effects (e.g. project funding, credit facilities, credit rating, responsible marketing etc.).
- ✿ Where relevant, CIB should present data in the regional breakdown used by the group.
- ✿ CIB should consider publishing an on-line sustainability report as well as short printed stakeholder-group-specific summaries. On-line reports are easier to keep up-to-date, and they are also more convenient to share information most relevant for the given stakeholder group.

Budapest, 10th of July 2009



Katalin Urbán  
Alternate Consulting

## Alternate Report Evaluation grades and related contents

| Alternate Report Evaluation                  | Golden grade<br>"Evaluated" | Silver grade<br>"Verified" | Bronze grade<br>"Checked" |
|--|-----------------------------|----------------------------|---------------------------|
| GRI Content Index                            | ✓                           | ✓                          | ✓                         |
| GRI Application Level                        | ✓                           | ✓                          | ✓                         |
| Verification of data and information         | ✓                           | ✓                          |                           |
| Data gathering process                       | ✓                           | ✓                          |                           |
| Transparency aspects                         | ✓                           | ✓                          |                           |
| Expert review                                | ✓                           | ✓                          |                           |
| Expert recommendations for development       | ✓                           | ✓                          |                           |
| National and international benchmark         | ✓                           |                            |                           |
| Evaluation by the expert panel               | ✓                           |                            |                           |
| Stakeholder aspects and expectations         | ✓                           |                            |                           |
| Expert panel recommendations for development | ✓                           |                            |                           |

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## About this report

|                                  |   |
|----------------------------------|---|
| <b>Reporting period:</b>         | 2008 calendar year  |
| <b>Date of previous reports:</b> | June 2008, GRI B<br>(comprehensive report)<br>November 2008, short report<br>(Good CSR program) |
| <b>Reporting cycle:</b>          | annual  |
| <b>GRI application level:</b>    | 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 took into consideration the most important areas of responsible operation: corporate governance, our responsibilities as an employer, responsibility towards customers, broader social responsibility and environmental responsibility. We have made every effort to disclose all the key information necessary for evaluating the extent of our corporate social responsibility. We paid special attention to ensuring that the raw data, indicators and comparative tables used are accompanied by explanations to assist in interpreting the figures, and using case studies to illustrate the underlying factors related to data, decisions or objectives, and the reasons for changes. In comparison to the previous year, our results were significantly altered by the merger with Inter-Európa Bank that took place at the beginning of January 2008.

Our economic data has been stated in accordance with the currently effective Accounting Act, while the social and environmental information is from the company's internal data recording system. Unless indicated otherwise, the data has 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. 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 keeping with the objective defined in last year's report, we regarded it as particularly important to seek external assurance for this report. Therefore we have ensured that our reporting process fulfils the criteria for accreditation in compliance with the highest professional standards. The assurance certificate is contained in the appendix to this report. In order to comply better with the expectations of our external stakeholders, we plan to launch a stakeholder dialogue during the second half of 2009. Conclusions of the dialogue will be included into the next year's reporting process. The report also gives an account of our efforts to uphold the principles set forth in the UN Global Compact.

|           |                     | 2002 In Accordance |    |   |   |   |    |
|-----------|---------------------|--------------------|----|---|---|---|----|
|           |                     | C                  | C+ | B | B+  | A | A+ |
| Mandatory | Self Declared       |                    |    |   |   |   |    |
|           | Third Party Checked |                    |    |   |  |   |    |
|           | GRI Checked         |                    |    |   |   |   |    |
| Optional  |                     |                    |    |   |   |   |    |
|           |                     |                    |    |   |   |   |    |
|           |                     |                    |    |   |   |   |    |

# Imprint

|                                     |  |
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