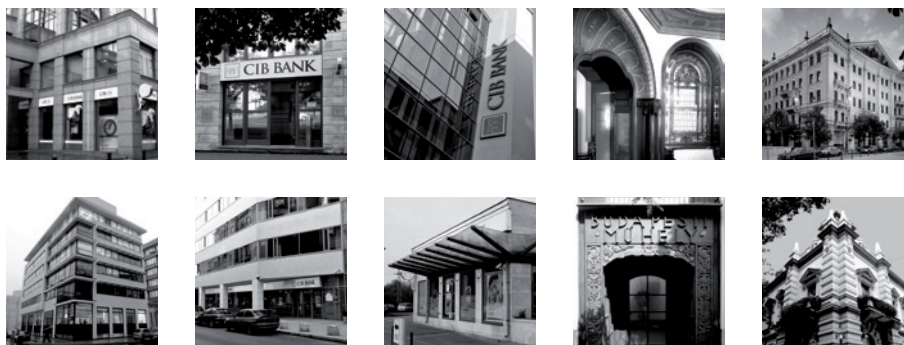


CIB Group Sustainability Report 2012



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 local characteristics and differences

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



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.



Responsible use of resources

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

Key Performance Indicators of CIB Group

24 million

The CIB Foundation donated HUF 24 million in 2012 to a total of six civil-society organisations, for the implementation of eight different social programs.

1 million

During a charity fundraising event last December, employees managed to raise a HUF 1 million donation for the International Pető Institute.

62 thousand

We directly helped approximately 62 thousand sick or healthy children and adults in need in 2012 again, either by providing financial support or equipment, or through voluntary work.

7476

The solar panels on the roof of our head office buildings saved a total of 7476 cubic metres of natural gas, which is roughly equivalent to the annual gas consumption of our large branch in Pilvax köz.

1885

In 2012 we selectively disposed of 1885 PET bottles, twice as many as in the previous year.

500

Last year 500 of us took part in CIB voluntary programs.

101

Cycle racks with a capacity of 101 bicycles are available at our Budapest head offices.

100

During the national food drive weekend held at the end of November we managed to collect around 100 tons of non-perishable foodstuffs with the help of 400 CIB employees.

58

In 2012 we deposited 58 tons of paper for recycling. Our annual paper use was 288 tons, 8 percent of this amount is recycled paper.

42

Our support as a strategic partner enabled 42 sick children to attend summer adventure camp at Bátor Tábör (Camp of Courage, a therapeutic recreation camp).

40

At the end of 2012 some 40 of our branches had children's play corners, compared to 36 in 2011.

31

We found an equitable solution to the problems of our customers in 31% of our complaints handling cases, which is more than double the ratio achieved four years ago.

7

The CIB Group has seven core ethical values: integrity, excellence, transparency, respect for local characteristics and differences, equality, values of the individual and the responsible use of resources.

2

It is a two-hour journey from Budapest to the Fairytale Therapy Centre in Paloznak, of which the CIB Foundation is a key sponsor, and where severely traumatised children in state care are rehabilitated.

1

We have one planet, one country and one environment: together we can always do more!

Key performance indicators of the CIB Group

	2008	2009	2010	2011	2012
Number of customers	727 110	720 851 ¹	717 247	681 517	638 233
Number of employees (persons)	3 657	3 279	3 091	2 945	2 755
Percentage of female employees (rounded to the nearest whole number)	66%	66%	66%	67%	66%
CO ₂ emissions from energy consumption per employee (tons)	3.24	3.18	2.31	2.38	2.52
Energy consumption per employee (GJ/persons)	35.7	30.44	28.23	29.04	33.91
Total waste generated (kg)	29 688	63 682	66 548	42 025	88 500
Amount allocated and paid in support of public-benefit organisations (CIB Foundation) (HUF million)	62.6	51.7	34.6	45.3	24.9
Total economic value distributed (HUF billion)	85.029	50.636	31.768	-5.108	-92.465
Proportion of locally-based suppliers	98.17%	98.11%	97.75%	96.7%	97.2%
Number of trade union members (persons)	355	311	323	293	303

As of 31 December.

¹ Adjusted in 2010.

Our most important commitments for 2012, and their fulfilment

The commitments listed below are described in detail in the sections relating to the individual groups of our stakeholders.

- ● ● ● Fulfilled, project closed or extended
- ● ● ● Mostly fulfilled, but project not yet closed
- ● ● ● Partially implemented and in progress, or closed
- ● ● ● Implementation has begun
- ● ● ● Implementation has not yet begun

COMMITMENT	FULFILMENT STATUS
Corporate governance	
Continued organisational integration of the environmental policy	
• A set of sustainability requirements to be fulfilled during Communication and HR events has been introduced.	● ● ● ●
Further development of the Rules of Ethics Procedures	
• The Rules of Ethics Procedures have been expanded in order to improve the process on the basis of the experience gained since their introduction.	● ● ● ●
For our employees	
Preparation of an internal ethics training program	
• The preparation of the training program is complete, and the launch is scheduled for May 2013.	● ● ● ●
Elaboration and launch of a bank group-level benefits strategy	
• The launch has taken place.	● ● ● ●
Renewal of the performance evaluation process and system	
• The launch has taken place.	● ● ● ●
Elaboration and launch of a career and talent nurturing system	
• Preparations have been completed, and the launch is scheduled for May 2013.	● ● ● ●
Expansion of initiatives to boost employee commitment and satisfaction	
• A considerable number of new initiatives got under way in 2012.	● ● ● ●
For our customers	
Simplification of the product range	
• The simplification of the entire product range continued.	● ● ● ●
Engagement of our customers	
• We continued to conduct our "100% Listening" surveys.	● ● ● ●
For our suppliers	
Further incorporation of sustainability and ethical considerations into the supplier selection process	
• Sustainability requirements applicable in the course of the procurement processes related to the organisation of our events have been introduced.	● ● ● ●
Community relations	
Maintaining the operation of the CIB Foundation	
• Support has been granted to a new initiative in addition to those of our existing strategic partners.	● ● ● ●
Further expansion of voluntary programs	
• Negotiations have begun with the Fairy Tale Therapy Centre in Paloznak.	● ● ● ●
Elaboration of new forms of cooperation with civil-society organisations	
• Negotiations have started regarding the sharing of banking skills on a voluntary basis.	● ● ● ●
For our environment	
Introduction of a policy setting out environmental guidelines related to the organisation of events	
• The policy has been introduced.	● ● ● ●
Inclusion of more head office buildings in the selective waste collection system	
• Preparations are under way to include two head office buildings and the branch network.	● ● ● ●

Our most important commitments for 2013

COMMITMENT

Corporate governance

Continuation of simplification and rationalisation steps

For our employees

Launch of ethics training

Launch of a talent management system for the Bank Group

Development and launch of a new, complex management development system

Review, reshaping and publication of HR processes and policies

For our customers

Simplification of the product range

Development of our interactive channels

For our suppliers

Further incorporation of sustainability and ethical considerations into the supplier selection process

Community relations

Holding of voluntary-work days

Holding of charitable events, exhibitions

For our environment

Increasing the proportion of environmentally-friendly paper use

Further communication of the environmentally-friendly aspects of our operation

Expanding the scope of selective waste collection

Message from the CEO and chairman



The CIB Group treats and applies sustainability not as a series of initiatives, but as an in-built attitude that permeates the whole of company management, along the lines of solid ethical values and principles that apply to the bank group as a whole. In line with ISP Group we believe that the best practice is for the whole of the organisation, through its basic operation, to reflect the principles of sustainability.

In contrast to the majority of market participants, the cornerstone of the CIB Group's sustainable development strategy is to adopt a fundamentally different approach to structuring its CSR activities: we primarily work on forward-looking initiatives that are developed taking the views and expectations of our stakeholders into consideration, and which in many cases will only bear fruit after several years. All this takes place in a fundamentally different context to that which we have become accustomed to in recent years and past decades.

The year 2012 proved to be an even tougher period than expected. We had to continue all the efforts that were necessary to restore balance to our financial and business situation, while coping with having to support customers who had run into difficulties, as well as with the realities of a declining loan market, a regulatory environment that had turned negative. We had to manage all this

significantly reducing our operating costs and achieve improvement in our processes and efficiency.

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

Right in this tough year we have increased our investments to fuel the transformation of our corporate culture and business processes to consolidate our ethical foundation in terms of basic values and principles.

We also succeeded in keeping the level and diversity of our already substantial investments in social causes and through our various direct and indirect programs we assisted 62 000 people in need.

This is a figure we could never have been achieved without the active participation of our numerous third-sector partners and naturally our dedicated employees. We report on the CIB Group's sustainability performance, and its individual programs, continuously and in detail in the Sustainability section of our website.

This year again, please read through the report carefully – which also contains the level of compliance with the principles of the UN Global Compact for the fifth consecutive year – 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.

A handwritten signature in blue ink, which appears to read 'Fabrizio Centrone'.

Fabrizio Centrone
CEO and chairman

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1.

CIB's business strategy and
priorities, business results
and objectives

CIB Bank and its subsidiaries, taking into account the steady deterioration in the external environment and the declining growth prospects of the Hungarian economy, continued in 2012 to pursue a strategy that is focused on the development of an organisation and business methodology that is capable of ensuring long-term sustainability and reacting to changes in the environment. The basis for this is group-based corporate operation (with all the benefits that this brings), and what is referred to as the segment-based business model.

CIB provides numerous channels for direct feedback from its customers, and based on the evaluation of the results of this process, and taking them into consideration, it endeavours to introduce innovative solutions in order to improve the quality of its services. Among its medium-term plans particular emphasis is placed on ensuring that customers choose the CIB Group, as a bank that offers one of the best value propositions in the market, to be their primary financial service provider. CIB's further objective, in line with the above strategy, is to apply a coordinated, carefully considered and focused approach in the course of the fine-tuning of its business model. Key elements of this are the simplification of processes and increasing the level of satisfaction of its customers. In this spirit, the CIB Group intends to stand out from among its competitors by applying quality processes and providing exceptionally high-quality services in all of the segments that it has targeted.

The "New Bank" program transforming the bank's operation continued in 2012. Beyond the standardisation and simplification of the product portfolio, this initiative is also aimed at developing core activities and customer service through an improvement in the efficiency of internal and customer processes. This will enable the CIB Group to respond to market needs with high-quality, reliable services. The group seeks to achieve sustainable growth by providing real value to its customers, and this basic principle will guide the group's future market behaviour.

As the corporate division continues to show stable performance, the CIB Group's primary objective is to achieve business growth in the retail and SME segments. An important part of this was the setup of a network of dedicated relationship managers for micro enterprises throughout the branch network covering the whole country at the end of 2012. A critical focus in the years to come will be on energising commercial activity in order to secure the bank's future revenues and maintain its market position. CIB will place particular emphasis on the further development of its retail business, and accordingly, the bank aims to become

the primary retail bank for its customers. This goes hand in hand with the ability to further improve deposit collection activity, and the provision of high-quality wealth management services. On the lending side, the bank's aim – besides retaining its leading market position – is to develop mortgage products that will stimulate home renovations. The CIB Group continues to develop its own bank assurance brokerage division, with the help of which it is expanding its service portfolio with a full range of insurance products.

The other priority of CIB's medium-term strategy is the financing of the real economy, to which end it is further developing its products and services aimed at SMEs and micro enterprises. As a part of this, the bank is focusing specifically on supporting the manufacturing and service sectors. As a start, CIB has established a dedicated SME network in its main branches, through which the bank wishes to further expand its complex banking and leasing services. Besides corporate loans and leasing services, CIB Bank offers other means of financing to companies, e.g. through its factoring business line.

While the above sectors are currently the main areas of focus, CIB has set new goals to maintain the performance of its large corporate business, which has always represented a key segment. During the coming years CIB will build on the advantages offered by its owner, Intesa Sanpaolo, thereby strengthening its presence in the multinational sector. The primary objective is to establish a uniform, and therefore transparent and cost-effective, service structure.

CIB is committed to improving the quality of the services provided by the bank to multinational corporations in the areas of cash management and trade finance. Beyond these objectives, boosting the effectiveness of customer relationship management, increasing the corporate deposit ratio and deepening cross-selling activities are also priorities.

To help safeguard the quality of the group's loan portfolio, the group had already set up a special unit known as the Workout division, which ensures the bank group's ability to achieve the best possible rate of recovery on its non-performing loans. By developing this area CIB aims to further enhance its collection processes and capabilities with the purpose of ensuring the general stability of the institution, which will contribute to ensuring the equilibrium of the balance sheet and making it possible to strike a healthy balance between growth and sustainable losses.

Business results

- The CIB Group's equity totalled HUF 194.4 billion.
- The group closed the year 2012 with a loss of HUF 152.9 billion. The negative profit was due to a deterioration in the external environment and the high ratio of non-performing loans, as well as the growing financing costs and the extraordinary tax on banks.
- The CIB Group's balance sheet total amounted to HUF 2 119 billion at the end of December 2012. The smaller asset portfolio was mainly attributable to the ongoing shrinkage of the customer loan portfolio.
- At the end of December 2012, the CIB Group's consolidated gross customer loan portfolio totalled HUF 1 832 billion. Within the overall portfolio, the proportion of retail loans (mortgage, car financing and others) reached 32.4% by the end of the period, a figure that was negatively affected by the fixed-rate mortgage redemptions, while real estate financing contributed 21.5% of the portfolio. The share of large corporate and SME loans increased slightly during the course of the year. Demand for new financing was low throughout the entire period, although retail production grew by more than 88% (which was largely due to the refinancing of loans redeemed at a fixed exchange rate; without this factor no improvement can be observed), while new leasing transactions rose slightly in comparison with the previous year's low figure. The sale of non-performing loans caused the loan portfolio to decrease by HUF 52 billion.
- The quality of the CIB Group's loan portfolio deteriorated in line with the situation in the Hungarian banking sector as a whole. The proportion of loans overdue by more than 90 days grew by 3.8 percentage points, with the most marked increase occurring in the retail segment. The redemption of foreign currency loans at a fixed exchange rate had a negative impact on portfolio quality. In the real estate financing segment the quality of the portfolio continued to worsen. To cover potential losses from non-performing loans, CIB set aside provisions of HUF 128 billion during the course of 2012.
- The CIB Group's revenues amounted to HUF 83.2 billion, and its operating expenses to HUF 56 billion, excluding the bank tax. CIB's senior management has implemented a number of cost-cutting programs in recent years. As a result, personnel costs decreased by 2.3 percent in 2012, commensurately with the lower number of employees (-190 persons), while the administrative costs arising from normal operations decreased by 7.5 percent in comparison with the previous year.
- New impairment recognised in the reporting period amounted to HUF 155.6 billion, while in 2011 it was HUF 105.7 billion. New impairment related to loans totalled HUF 128 billion, more than half of which was related to the Project Finance Division, owing to the deterioration of this portfolio and prolonged recession. New impairment recognised in the retail division decreased by 48 percent in comparison with the previous year, as 2011 was negatively affected by the losses resulting from fixed-rate loan redemptions. The cost of lending (Provisions/Loans) was exceptionally high at 10.2% in 2012.

The CIB Group did not receive any government subsidies in 2012 (just like in previous years).

1.1.

Significant external impacts

The government's Home Protection Program

The Hungarian government introduced several new regulations in 2012, with the aim of improving the situation of households with foreign currency-denominated loans.

Partial waiver of loan receivables overdue for more than 90 days

Mortgage loans that were more than 90 days overdue on 30 September 2011 can be converted from foreign currency-denominated (CHF, EUR and JPY) to forint-based loans. During conversion the financial institution is required to waive 25% of the debt.

Under the mandatory scheme HUF 23 billion foreign currency loans were converted, and the total amount converted (including voluntary conversions) was more than HUF 55 billion.

National Asset Management Agency

The most socially disadvantaged debtors who are unable to service their mortgage loans can apply to have the National Asset Management Agency purchase the property serving as collateral for their loan. The Asset Management Agency buys the property at a discounted price, and the debtor can rent the property back at a discounted fee.

Exchange rate cap scheme

When a fixed exchange rate is set, the payment obligations of foreign currency borrowers are reduced for a temporary period of up to 60 months. During this period they repay the foreign currency-based mortgage loan at a fixed exchange rate (HUF/CHF 180 for Swiss franc loans, HUF/EUR 250 for euro loans and HUF/JPY 2.5 for Japanese yen loans), while the difference between the fixed exchange rate and the actual exchange rate is only paid after the grace period has expired. The principal part of the exchange rate difference is borne by the customer, while the burden of the exchange rate difference on the interest payments is shared at a ratio of 50-50% by the lending financial institution and the state.

According to data from the end of November 2012, more than 105 thousand borrowers (some 23.3 percent of those affected) had joined the exchange rate cap scheme.

Special tax on financial institutions

The Hungarian banking sector was affected by numerous government measures in previous years.

• Extraordinary bank tax

The extraordinary bank tax remained in effect also in 2012, and amounted to HUF 200 billion at annual level for the banking sector as a whole. This tax burden is considerably higher than similar taxes levied in other countries of the European Union, and damages not only the growth prospects but also the profitability of the players in the banking sector. It considerably erodes the banking system's return on equity, as well as its ability to support the real economy through its lending activity. As a result, the sector is less competitive than its peers in the region.

• Transaction duty

The banking sector's financial burdens were further increased by the new transaction duty. The Act on the Financial Transaction Duty entered into force on 1 January 2013. The rate of the transaction duty is 0.2 percent of the value of the financial transaction, with the exception of cash transactions, in which case it is 0.3 percent, although it has been capped at a maximum of HUF 6 000 per transaction. All debit transactions are subject to the transaction duty, except for book transfers between the customer's own accounts.

Changes in the banking environment

The main challenges for the Hungarian banking sector in 2012 were

- the deterioration in the external environment, which was principally a consequence of the protracted debt crisis in the eurozone;
- the continued worsening of growth prospects for the Hungarian economy;
- the government measures affecting the banking sector, which significantly reduced the profitability of Hungarian banks and altered the domestic operating environment;
- the high ratio of non-performing loans that resulted from the deterioration in the quality of the corporate and retail credit portfolio as a consequence of the changed environment;
- the continued rapid outflow of external funds from the banking sector; however, the banking sector's liquidity improved concurrently with that of the financial markets.

The deepening of the debt crisis in the European Monetary Union carries the possibility of a new financial crisis, and is exacerbating the global recession. In response to the crisis, financial institutions became more cautious in their lending practices, and their risk appetite has declined. At the same time, due to the decline in corporate investments and retail consumption, the demand for credit remained negligible. As a consequence of this, the upturn in the banking sector's lending activity is being delayed further in both the retail and corporate sectors, contributing to a slower-than-expected economic recovery in Hungary.

The strict lending terms – especially in the corporate market – have been causing a shortage of credit for a long time now. On the supply side, the key factor in the drop in corporate lending is a decline in the willingness to lend. In contrast to the corporate credit market, the retail segment is dominated by demand-related factors. Government interest subsidy substantially reduces the initial interest cost (to 8–9%), which could lead to an increase in demand.

The most important challenge for the domestic financial intermediation system is the management of the deteriorating loan

portfolio. Due to the slow rate at which the non-performing portfolio is being cleaned up, the ratio of non-performing loans could remain high for a long time. The growth in new non-performing loans damages profitability by making it necessary to recognise new impairment. The high NPL portfolio can reduce willingness to lend, it weakens liquidity, compromises maturity matching and draws away funds that could be used to provide new loans.

The retail property market will continue to be under pressure, which damages business opportunities for retail mortgage loans and has a negative impact on the banking sector's willingness to lend in this segment.

The market of commercial properties is suffering due to the surplus capacities built in the past, which makes banks extremely cautious when it comes to the financing of new real estate projects.

The leasing market, in which CIB is one of the largest players, was also profoundly affected by the crisis, as the market shrank and the quality of the portfolio deteriorated.

1.2.

Distribution of income, from a stakeholder's perspective

From the standpoint of sustainable development we use an approach that examines the movements of income (income transfer), resulting from the company's business operations, between the various participants – customers, suppliers, employees, shareholders, the state, the third sector – operating within the economic community of which the CIB Group is also a part. The data pertaining to the generation and distribution of economic value reveal how the organisation creates well-being for its stakeholders. The total gross value added is the difference between the total value generated

(revenues) and the cost of goods purchased and services used (consumption). We performed the calculation of this data using the methodology applied by Intesa Sanpaolo. More information on the Bank's business results can be found in the 2012 Business Report and the Annual Financial Statements that include it. A breakdown of the economic value generated and distributed is given in the following table.

The 2012 data continue to reflect the protracted difficulties faced by the Hungarian economy, and the impact of the substantially altered tax regime. Last year was closed with a negative profit, and there was no dividend payment. Another change with major implications last year was the introduction of what is referred to as the bank tax, which substantially increased our payment obligation towards the state. Overall, the explanation for the changes of 2012 can be summed up in the key points below:

- "Total value generated" decreased due to the fall in interest revenues;
- "Total consumption" increased due to the growth in impairment;
- "D" turned negative due to the losses realised on repossessed properties;
- the tax line shows revenue due to the deferred tax calculated on the losses, while we were able to reduce the bank tax by the amount of the losses from loan redemptions.

Economic value generated and distributed (HUF billion)

	2010	2011	2012
Total value generated (A)	212.354	197.434	172.067
Total consumption (B)	180.758	201.288	238.686
Gross value added from core business activity (A-B=C)	31.597	-3.854	-66.619
Revenue from the sale of fixed assets (D)	0.172	-1.254	-25.846
Total economic value generated (C+D=E)	31.768	-5.108	-92.465

	2010	2011	2012
Shareholders (dividend)	0	0	0
Employees (wage payments)	27.966	24.744	24.161
State (direct and indirect taxes)	18.481	-0.723	24.491
Third sector (donations and contributions)	0.844	0.882	0.725
Corporate sector (profit reserve and depreciation)	-15.523	-30.010	-144.842
Total economic value distributed	31.768	-5.108	-92.465



Long-term programs

At the CIB Group, our efforts to achieve sustainability are based on a long-term commitment, and thus in 2012 we again launched several new initiatives, as well as continuing our projects that had been launched earlier. In the following sections we give an account of these initiatives and our related practices, separately for each of our most important stakeholder groups.

2.1.

Customers

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

Customer satisfaction and complaints management

In 2012 we marked the fifth year of our "100% Attention" program, within the framework of which we strengthened our efforts to raise the satisfaction level of customers, while the changes in the economic environment presented the Bank, and often our customers too, with a new set of challenges.

We carried out continuous segment-specific customer satisfaction research: in keeping with the practice employed for many years we continued our surveys of retail and SME customers and users of CIB Internet Bank, we repeated the survey of large corporate customers that was first carried out in 2011, and for the first time we also interviewed our Private Banking customers.

In our efforts to continuously improve our services, in addition to the regular surveys we also placed particular emphasis on the systematic collection and evaluation of direct customer feedback. We made further improvements to the system introduced in 2010, based on a short questionnaire

accessible via the queue ticket dispensing machines in the branches, which last year helped us to elicit 710 000 feedback responses from our customers. The questionnaires, which are updated quarterly and are tailored specifically to the individual branches, have made it possible to initiate targeted improvements in the branches with adequate speed.

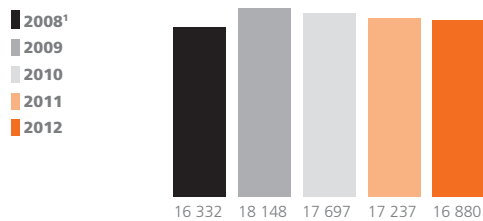
With respect to complaints management – although there was a slight, 2% decrease in the number of complaints relative to the previous year – we continued to face similar challenges. The majority of complaints were about current account and deposit products, and related to the various conditions and fees. In 2012 the number of complaints related to mortgage loans rose substantially, amounting to 10% of all complaints.

We continued to follow our previously introduced practice of taking an equitable approach to the assessment of complaints. As a result of this, last year we found an equitable solution to the problems of our customers in 31% of cases, which is more than double the ratio achieved four years ago. The CIB Group continuously cooperates in the interviews and consultations held by the Financial Arbitration Board that began operation in mid-2011 (and which mediates between financial institutions and consumers in the resolution of certain disputed matters), in the interest of reaching settlements based on customer-oriented solutions.

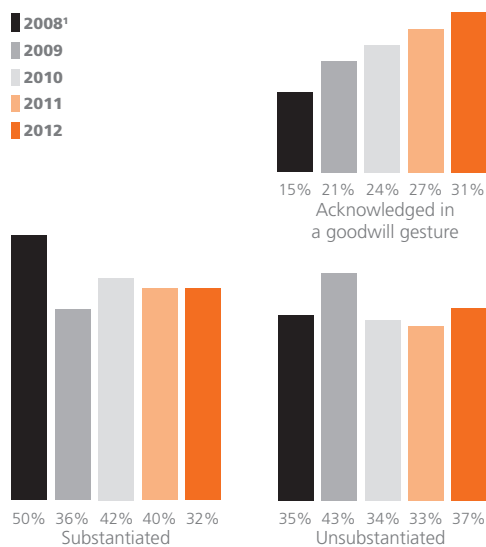
With effect from 1 January 2013 the statutory environment for complaints management has been changed, as the Hungarian Financial Supervisory Authority (HFSÁ) set out its expectations and principles relating to this activity in a new decree and the related package of recommendations. In the interest of complying with this statutory regulation we modified our internal processes, and we are also doing everything we can to adopt and incorporate into our practices as far as possible also those of the supervisory authority's recommendations that are not mandatory. Our complaints handling process already complies with a substantial proportion of the recommendations, and in 2013 we plan to adopt further elements.

Last but not least, the CIB Group takes part in all cooperative initiatives that might deliver a solution for those of our customers whose situation has become untenable as a result of the economic crisis, with the aim of preventing or reducing the number of future complaints.

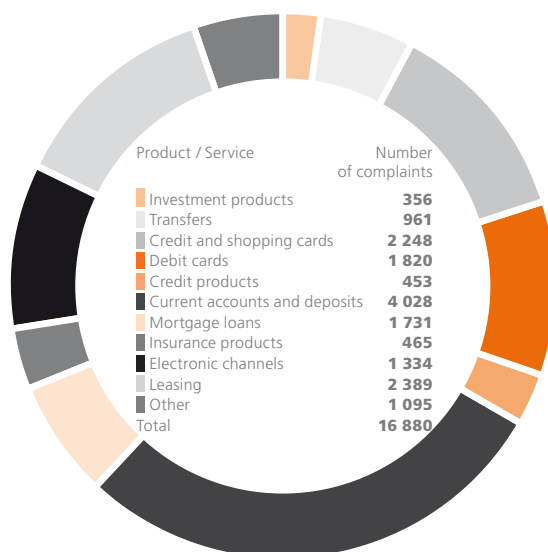
Number of complaints investigated by Voice of Customer (the complaints management department) at the CIB Group



Adjudication of complaints in 2012

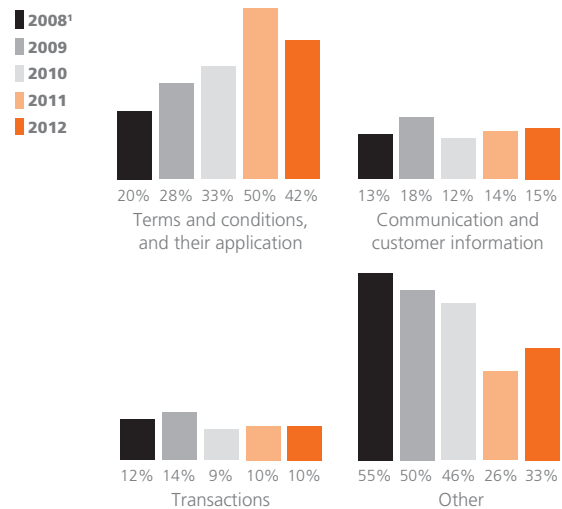


Complaints by type of service in 2012



¹ Due to data correction, we have modified the 2008 figure from 16 335 to 16 332.

Complaints by type



With respect to abuses of personal data, a total of 82 complaints were received (in 2011: 83), a significant proportion of which were related to external bank card fraud detected at external locations.

Ensuring access to services

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

- On 31 December 2012 some 69%, or 75, of our 108 branches were barrier-free, and one was equipped with a portable ramp. (In 2011, of 128 branches 81 were barrier-free, which represents 63%). The main entrances to our central office buildings, and the bank branches housed within them, have also been made barrier-free.
- By the end of 2012 the bank's branch network consisted of 108 units, and 171 CIB-operated ATMs were available to our customers. As in 2011, the CIB Group did not have any representative offices in 2012.
- At the end of 2012, despite the branch closures, compared to the previous year **four more of our branches, a total of 40 (in 2011: 36) had children's play corners**, making it easier for our customers with small children to do their banking.

Products for customers with special requirements

- The CIB Group also offers services to individuals and legal entities with special requirements. We continued to market our products and services developed to suit the specific needs of youth and senior citizens, a campaign which we supported with special promotions. In 2012 we offer special account products for retirees, people with large families, students, non-profit associations and apartment buildings.

2.2.

Employees

The guiding principle in our employee relations is to forge relationships based on true partnership with our colleagues, and we promote a corporate culture that is initiative, performance-based, transparent, consistent and rapid in decision-making. Moreover, from 2012 onwards we are devoting particular attention to identifying, retaining and developing key personnel and talent.

„In 2-3 years I would like to see a bank that functions efficiently, as a strong and highly motivated community, where the employees are happy to come to work and where they know precisely what their work is worth, and what the future holds for them.“

Quote from the Human Resources Strategy

Our employment policy

In 2012 we continued to implement our human resources strategy elaborated in the previous year. Our objective, by launching HR initiatives of key importance to the organisation, is to build a banking group that functions cooperatively and efficiently as a strong, highly motivated community.

Alongside the newly launched HR initiatives we also had to continue the process of headcount rationalisation in 2012. We carried out the headcount reduction in full compliance with the Labour Code, in several stages that were timed to coincide with the end of each quarter. We also continued with programs to help colleagues affected by redundancy measures find new employment, which were concluded successfully with a reemployment rate of close to 90%.

An unwanted effect of the crisis: layoffs

- Due to the negative market changes, our retail banking division was forced to close more branches in 2012.
- We made efforts to find suitable positions for the colleagues concerned at other branches that remained open, and thus the number of employees laid off was far lower than the headcount of the closed branches. Due to the staff transfers, the number of dismissals remained well below the headcount that would technically constitute a mass layoff.
- Those of our colleagues who were laid off were able to leave with more favourable benefits than those

prescribed by the Labour Code. They were relieved of duties but permitted to remain in an employment relationship for a significantly extended period, which improved their social insurance status as well as their chances of finding another job.

- If a job opportunity later arose at another branch, we gave preference to past employees during the hiring process, and thus we were able to reemploy many of our former colleagues.
- We also continued to assist our laid-off employees in their search for new employment with the help of a specialist partner.

In 2012 the Human Resources division focused on the following areas, all of which are integral to the comprehensive culture development process under way at the Bank Group:

- introduction of new HR Systems (performance management, career management, competencies system) and human resource development;
- elaboration of a new remuneration strategy;
- strengthening of employee commitment;
- achieving operational excellence with cutting-edge HR solutions and a high level of customer satisfaction.

Introduction of a new performance management system

In 2012 we introduced our revamped performance assessment system, which is based on performance indicators, in the interest of making it easier than before to measure the achievement of set objectives. The process is based on a system that allows for greater transparency and performance-based remuneration, and is also user friendly. During the performance assessment period, a series of panel discussions held throughout the organisation ensure the consistency of the evaluations between the management levels and the individual divisions.

Human resource development through structured career planning and talent nurturing that opens up new horizons

In the past year we also introduced a new process and system for career management. The main objectives of the process are for us to identify and retain our talented members of staff, for every employee to have the opportunity to carefully consider what career path he or she would like to follow within the CIB Group, for managers to deliberately plan succession within their team, and to promote career mobility among the various divisions.

The new processes described above are based on a newly introduced system of competencies, which ensures that we communicate clear expectations to our employees with regard to competencies. This also serves as the basis for every HR-related management system.

Establishment of a new remuneration system

In 2012 we introduced a new remuneration strategy with the purpose of creating a more transparent system that is more closely linked to performance and also takes the market environment into account, and which is based on job evaluation. Our aim with the new strategy is to successfully compete with our competitors for talent, eliminate internal disparities, link elements of remuneration directly to the achievement of business objectives, and encourage employees to deliver outstanding performance by offering a competitive package.

In the first stage of developing the strategy – in conjunction with the Italian company Mercer and with the active participation of our managers – we laid the foundations for the new system of jobs, and used objective methods to determine the value of every job at the bank.

In connection with this we revised the so-called Job Manual, which contains the job descriptions for all managers and general employees in a consolidated format. These job descriptions do not only cover the purpose, key duties and responsibilities of the job, but also the expectations that must be inevitably met in order to hold the given position. These include, among others, professional competencies, behavioural competencies, professional qualifications/training, language skills and any other knowledge/skills (e.g. computer skills) that may be needed.

The second stage saw the determination of the new strategic principles of remuneration based on performance orientation, market competitiveness, internal harmony and transparency, which were approved by the Board of Directors in September 2012.

The strategy addresses the following principles and elements of remuneration in detail:

- the base salary, including the definition of the payscales, the regulation of salary increases, pay for substitution, and the determination of special job-related allowances;
- the recording of bonus systems, including the performance bonus, sales incentives systems, project bonuses, staff retention bonus programs;
- fringe benefits such as company cars, cafeteria benefits, telecommunication services and non-monetary incentives.

The General Services Department has been assigned to the Human Resources division, and within this to the department responsible for setting remuneration principles, to ensure that the revision of several elements of the remuneration strategy (company car, mobile telephone, parking spaces), and their subsequent operation, follows a set of uniform principles.

Concurrently with this we began the detailed breaking down of the remuneration elements in the developed strategy, and the launch of the elaborated development steps. In the third stage we created the conditions for the remuneration strategy and for the practical operation along the lines of the new job evaluation system that serves as the basis of the remuneration strategy.

Naturally, this new remuneration strategy does not function in isolation, but is closely related to various other HR systems:

- Performance management: from now on the annual salary increase does not depend primarily on a manager's decision, but is determined, in addition to the pay category, by the result of the annual performance assessment. The performance expectations and objectives are determined on the basis of the duties and responsibilities set out in the job description, and the position occupied within the organisation.
- The appraisal of the individual and collective performance of senior managers – which also determines their remuneration – is approved by the owner based on the recommendation of the CEO. The appraisal, and thus the remuneration, is based on the following factors, in the following order of importance: the company's profitability, the performance of the division/business line overseen by the given senior manager, and thirdly, the manager's individual contribution towards setting the organisation on a new development path. The evaluation of performance, in the case of all employees, takes place in the context of formal appraisal interviews, during which the fulfilment of the economic/social/environmental targets relevant to the given employee are jointly reviewed.
- Talent and career management: the career steps and development needs are defined in terms of upwards and lateral movements. Promotion is based on the job hierarchy system.
- Recruitment and selection: the pay scales are definitive when determining the base salary of new employees.
- Remuneration management: all wage-related decisions are made on the basis of performance and the pay category. The other elements of remuneration (bonus, non-wage benefits) are also linked to the job evaluation.

Strengthening employee commitment

In the interest of strengthening employee commitment and loyalty, we continued our CIB Spirit programs, and from the second half of the year these became the hallmark of the Bank Group's comprehensive process of culture change. Besides a number of new initiatives, a so-called "Team of Ambassadors" made up of enthusiastic employees agreed to contribute to the success of the corporate culture change with their work.

Engaging employees is essential for the success of the culture change process launched within the Bank Group. To give as many employees as possible from outside the individual specialist areas (HR, Communication) and senior management the opportunity to help make elements of the new CIB culture more distinctive and widely visible, the 150-strong "Team of Ambassadors" was established, constituting a sort of "company within the company"; they jointly determine their own operating framework and management, and devote a maximum of 10% of their working time to these duties.

At a two-day event the ambassadors identified a series of important issues as their "coup de coeur" (personal causes), and began seeking for solutions to these. The ambassadorial representatives (7 persons) elected by the team from among its own members deliver the solutions to the personal causes to the management, and then coordinate their implementation. Their task is, with the supervision and support of our Bank's management, to become a real driving force behind the shaping of our culture, to provide inspiration and to involve as many people as possible in the work.

Among its other initiatives the team, which was formed in the last quarter of 2012, participated in the establishment of the new awards system, and revised a number of existing initiatives at the Bank (e.g. the "Thank You Card" campaign, the "Simply Better" program), which will be relaunched in their revised form in 2013.

Through our various initiatives, in 2012 we worked to make CIB an even more attractive workplace, one that we can be proud of. We want to build a strong and attractive employer brand, which will help us to recruit and retain talented employees, thus contributing to the achievement of our business objectives. We have defined the guiding principles of our new corporate culture, and naturally continue to observe our ethical values.

We used an internationally recognised diagnostic methodology to evaluate our existing corporate culture and the one that would be ideal for us, and we will repeat this exercise in 2014 to obtain objective data regarding the success of our work. We briefed the Bank Group's entire management team on the key steps in the culture change process, then with the help of our trainers we launched a series of programs aimed at ensuring that every single employee learns about the results of the survey and has

the opportunity to find his or her own role and function in the organisational development process.

We consider it important for employees, in the course of their day-to-day activities, to come into contact with tangible initiatives that serve the above objectives, so in 2012 we launched a high number of employee programs. In addition to this we continued running the CIB Club, which is a series of informal events that we hold every month or two in Budapest. The purpose of the CIB Club is to provide employees with an opportunity for informal gatherings that promote a strong sense of togetherness, in surroundings that markedly differ from the corporate environment. As a part of the Club initiative we held seven events during the year, offering a variety of musical and entertainment programs.

In 2012, by courtesy of our contracted service providers, employees of the CIB Group had a wide selection of discounted shopping opportunities to choose from. In 2012, upon presentation of a CIB access card, some 33 outlets offered discounts of between 10 and 15% (for the purchase of clothing and electronic goods, services, dental treatment, beauty services, perfumes and cosmetics, fitness club membership and theatre tickets).

Achieving operational excellence with cutting-edge HR solutions and high customer satisfaction

With the purpose of both making our most important HR processes and regulations more efficient and up-to-date, and of improving the quality of our data reporting, in 2012 we launched a comprehensive review of our HR processes. We drafted new training, recruitment and selection, remuneration and labour regulations, the approval of which is expected to take place in 2013.

Fringe benefits

The wide-ranging system of fringe benefits is an important part of the CIB Group's new remuneration strategy.

The value of the benefits package provided under the cafeteria system to full-time employees in 2012 remained at HUF 17.5 thousand per month. Part-time employees are entitled to receive cafeteria benefits proportionately to their working hours. In light of the statutory changes we have modified the range of items that can be selected under the cafeteria system. To ensure the satisfaction of employees we continuously monitor the opportunities for offering benefits, and the changes to the law.

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

- Mandatory: occupational health services, reimbursement of travel expenses, prescription spectacles;
- Provided voluntarily: cafeteria system, Voluntary Pension Plan, preferential banking services and discounted bank cards, staff loans, staff lease-financing plans, group personal insurance. Besides these, we continue to offer, as optional benefits, a family mobile telephony plan and vacation opportunities in Hungary and abroad, as well as discounts on purchases.
- Our temporary or part-time employees are also entitled to all of the above benefits, with the proviso that quantifiable benefits are granted proportionately to the number of hours worked. All our employees are only eligible to receive benefits under the cafeteria system, and the employer's contributions to the Voluntary Pension Plan, upon expiry of the three-month trial period; and certain preferential staff loans are only available after one or two years of employment.
- Participation in all the periodical vocational and professional aptitude and fitness tests prescribed by law naturally continued to be compulsory for all of our staff in 2012. For managers above a certain job grade, owing to the higher-risk environment, in 2012 we provided executive medical screening as part of the annual occupational health examination. The screening tasks continue to be performed by the Oxyvit medical group, which has provided occupational health services since 1994 and today has a countrywide network.
- Since 2007 we have provided all our employees – through our partner insurance companies – with basic life, accident and illness insurance cover, which can be supplemented according to individual requirements.

"We are Intesa Sanpaolo Group"

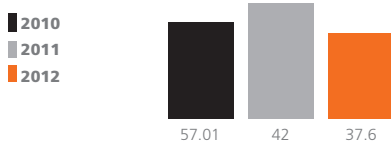
In 2012, our international banking group continued the "We are Intesa Sanpaolo Group" programs, established with the aim of ensuring unified internal communications and a consistent corporate culture.

- The CIB Banking Group offers its employees, and, in certain cases, their family members, discounted holidaying opportunities at destinations both in Hungary and abroad. With the help of our parent bank 50 children enjoyed a trip to Follonica, Italy, while many families spent their summer holidays in Magione and Alassio in 2012. In addition to this, we gave many children the opportunity to attend a summer camp in Hungary.
- Our international banking group holds numerous sporting events, in which our employees can regularly take part.

Training courses

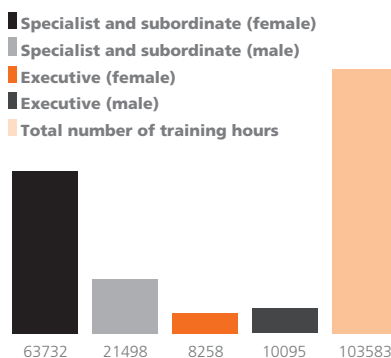
- The average number of hours of training per employee was 38 hours, which means that each employee received an average of 5 days of training over the year.
- A total of 1 124 people took part in training courses related to new HR-related processes.
- 2 379 people attended skills development training courses and workshops in 2012. We ran workshops to assist all of the Bank Group's divisions in the culture change process and in other organisational development needs. We provided skills development training as necessary in response to ad-hoc requirements, and also assisted non-management colleagues in the new performance management and career management processes.
- In 2012 we commenced the development of our long-term management training system.
- The preparation and holding of professional training courses related to the projects to standardise operations in the retail banking division is under way.
- We have started developing the training system of the retail banking division in order to reduce ad-hoc training requirements to a minimum.
- A total of 490 employees participated in our orientation programs. By the end of 2012 we had transformed the new retail orientation program in order to ensure that new employees joining the Retail Banking Division are better prepared to begin carrying out their duties.
- We provided the SME Division with training to assist in transforming and boosting the efficiency of their internal lending processes.
- In 2012 a total of 949 people attended the English and Italian language courses supported by the Bank Group. Employees working in the provinces could choose an accredited language school near to their place of residence, while colleagues in Budapest had the opportunity to improve their language skills in training courses held in small groups. In addition to this, we offered our employees the chance to attend intensive, speech-centred English language courses.
- In 2012 a total of 25 new training packages were uploaded to the Bank Group's electronic training portal, and employees successfully passed a total of 38 900 exams.

Annual average number of training hours per employee

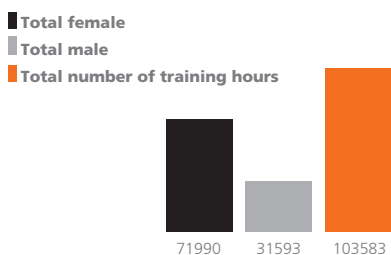


Based on closing headcount as at 31 December.

Number of training hours broken down by professional status in 2012¹



Number of training hours by gender in 2012



When preparing and implementing the training programs we take special care to respect the values of our natural, economic and social environment, and make an effort to manage our resources responsibly and without waste. To this end we give preference to electronic communication (e.g. in the process of sending out invitations, information or training materials), and where paper-based documentation is absolutely necessary we produce this economically, with double-sided printing.

In the case of programs implemented off-site with external partners, we make efforts to ensure that the service provider is one that makes efficient use of energy and uses environmentally-friendly technologies and recyclable materials.

Employee representation

A trade union and Staff Council operate within CIB Bank. The number of trade union members was 303 at the end of December (in 2011: 293; in 2010: 323). The Staff Council holds regular meetings to discuss, with the chief executive, its position on issues affecting employees. It also actively participates in the internal communication related to these issues. Representatives of the Staff Council and the trade union make up the employee side of the Social Committee, which has the task of managing certain forms of social support provided to employees. The Staff Council appoints two of the members of the bank's Supervisory Committee.

Equal opportunities and positive discrimination

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

We offer our employees the opportunity to apply for internally advertised positions (both at CIB and in the international group), and publish the relevant information on the Intranet.

¹ Excluding training carried out in the school system and training provided in distance learning courses.

Inclusive workplace program

In the first half of 2012 we came up with the idea that we should organise our own program based on the model of a special auction held every year under the name of "Civil Licit". We achieved this in two stages: first on 24 April we held a Civil-Sector Fair in the Petrezselyem utca head office building, where we gave the organisations invited to our auction the opportunity to introduce themselves; then employees were able to cast their votes via the Intranet to decide which initiative we should put into practice.

Some 500 employees got to know the invited organisations on the open house event, and a total of 1 006 votes were cast for the programs. The majority chose the "Inclusive Workplace" program to be implemented, so the work related to this began after the organisations had been notified of the results.

We held the first meeting with the representatives of the GAK Foundation in the spring of 2012, to discuss what kind of jobs could be suitable for the employment of people with disabilities, either on a full-time or part-time basis. Jointly with the heads of the CIB24 customer service call centre, the decision was made to launch the program in the call centre. Following this we first examined the extent to which the CIB24 working environment can be regarded as accessible. Fortunately the foundation's representatives found the interior layout to be basically satisfactory. Concurrently with this, we began making contact with job-seekers with disabilities who would be willing to work at the call centre. We invited eight candidates to an open house event at the

CIB24 centre, which we held in November. The purpose of this was to give the candidates with disabilities and the managers and colleagues preparing to receive them a chance to get to know each other before the actual selection process, and to give them an insight into the operation of our call centre. We planned to take on two employees with disabilities at the launch of the Inclusive Workplace Program, so after the open house event we organised an assessment centre for the eight applicants, this time for the purposes of the actual selection process. The selection process took place in a very congenial and relaxed atmosphere, due in part to the pleasant memories of the open house event. After the assessment centre we gave two applicants the happy news that they had been selected to join the program, but by that time one of them no longer had any need of the opportunity offered by us.

In this way we progressed to the actual employment stage with one candidate from the first round of selection. In the meantime we asked our recruitment services partner to assist us in the search for more people with disabilities, to fill the other position that still remained open. Thus we met with a new group of applicants at the beginning of 2013, although this latest selection process is still in progress.

On 24 April 2013, the first employee with disabilities started work at the CIB24 Credit and Leasing Customer Service Call Centre within the framework of the Inclusive Workplace Program, and we wish our new colleague every success and the best of health. We are confident that we will soon be welcoming more new staff in this way.

2.3.

Suppliers

The key principle when choosing suppliers is to display fairness and transparency in the selection process.

In the CIB Group's procurement processes:

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

Number of suppliers by geographical location

Since 2011 this line of data has also included the suppliers of subsidiaries. Services within the CIB Group have been consolidated since 2011. 2010 data only relates to CIB Bank.

Number of suppliers

	2010	2011	2012
Hungary	3 526	3 683	3 940
Europe	71	108	97
North America	8	12	12
Asia*	2	5	2
Total	3 607	3 808	4 501

Data as of 31 December

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

	2010	2011	2012
Hungary	19 412	22 250	25 617
Europe	1 612	1 580	2 000
North America	170	134	223
Asia*	17	17	46
Total	21 211	23 980	27 887

Data as of 31 December

*Israel is included in Asia.

2.4.

Our social impacts

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

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

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

This includes:

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

Our definition of community relations includes our relationships with the representatives of state institutions (government, local councils, regulatory authorities and supervisory bodies), profes-

sional organisations (associations, trade federations, chambers) and the third sector (non-profit organisations, foundations, local communities). From the CIB Group's point of view the most important state institutions among our stakeholders, and those that have the greatest impact on our operations, are the Hungarian Financial Supervisory Authority (HFSA), the National Bank of Hungary (MNB) and the Competition Office (GVH).

Developing financial literacy

- At the end of 2010, CIB Bank joined the "Financial Compass" program, which is sponsored by the National Bank of Hungary and the Hungarian Financial Supervisory Authority, and overseen by the Money Compass Foundation, with the aim of widely improving financial literacy. The bank continued to participate in the program in 2012.
- At numerous special events we made use of a game designed to develop financial literacy, which helps young and old, children and adults alike to assimilate as much useful information as possible about savings and financial responsibility.

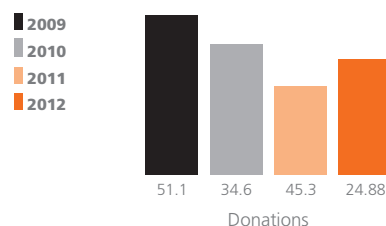
Social solidarity: the CIB Foundation in 2012

The CIB Foundation was less active in 2012 than before, in line with the original plans. We continued with our existing sponsorships, but did not include any new eligible projects, owing to a decrease in the funds at the Foundation's disposal. In the course of the year the Board of Trustees allocated a total of HUF 24.88 million.

Beneficiaries of the CIB Foundation in 2012 (payment made in 2012)

Fairy Tale Therapy Foundation
Alliance of Nógrád County Gypsy Minority
Representatives and Spokespersons
Association for Rainpeople
Bátor Tábor (Camp of Courage) Foundation
Hungarian Reformed Church Aid Foundation
(Bódvalenke)

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



Volunteering as a part of the corporate culture

Volunteering is an important part of the “DNA” of the CIB Group, and we regard it not only as a reflection of our corporate citizenship, but also as one of the pillars of our internal corporate culture. The CIB Group has a tradition of volunteering, linked to strategic partnerships and individual initiatives, that stretches back over many years, and which every year prompts a high proportion of our employees, anywhere between 10 and 20 percent, to take action. We implement centralised and local volunteering programs, and regularly participate in the preparation work for the summer programs run by the Camp of Courage, and in the voluntary renovation of schools, hospitals, nursery schools and parks.

Corporate volunteering for the benefit of local communities

National Food Drive Weekend organised by the CIB Group and the Hungarian Food Bank Association

In Hungary today, according to data from the Food Bank and the United Nations, hundreds of thousands of people are severely malnourished, and there are 10-15 thousand starving children. While cash donations remain a necessary means of assisting Hungarian families in need, besides the financial contributions that often serve short-term debt management purposes and are difficult to monitor in terms of their use, donations of household items and food also have an important role to play. The latter take on a special importance in the run-up to holiday seasons, as they provide families in need with the experience of cooking together and sharing a family meal.

The Hungarian Food Bank Association and the National Food Drive Weekend initiative enable a form of charitable cooperation that provides an opportunity for our employees and customers to contribute in a way that is free from the influence of business interests, and complies fully with the CIB Group's corporate social responsibility principles. Negotiations regarding the implementation of the joint scheme began in the spring of 2011. Inspired by the results of the 2011 drive, which mobilised a record number of CIB volunteers and became the largest national food collection program of the year, the Food Drive Weekend was implemented again in 2012 with the CIB Group as its main sponsor. On 23 and 24 November 2012, almost 3 000 volunteers, including 400 CIB employees, collected donations from the public at 230 supermarkets in 135 towns and villages.

Our branch staff contributed further to the success of our efforts by putting their sales experience to good use during the drive. In addition, some 100 of our colleagues who took part also brought members of their families along. In 2012, in addition to the volunteers a number of Hungarian celebrities also lent their support to the initiative, and together with the media communication accompanying the event this helped to communicate the underlying social message more effectively. Furthermore, we endeavoured to draw our customers' attention to the importance of the food drive through communication in the branches, via our website and in letters to customers. After the drive, the collected donations of non-perishable and packaged foods were distributed among families in need – before Christmas – with the help of civil-sector organisations from the same town or village.

As well as the partnership with the Food Bank, the food chains that agreed to participate in the food drive also played an important part in ensuring its success, and the local specialist charitable organisations and municipal institutions took on a key role in the distribution of the collected donations.

Impact: We collected 100 tons of non-perishable food-stuffs for 15 000 families in need at 230 supermarkets in 135 towns and villages and distributed these with the help of civil-sector organisations. We implemented a program with nationwide coverage, in which 400 of our employees took part as volunteers. The underlying message of the initiative was successfully and efficiently communicated to a broad crosssection of society.

Professional organisations

• **Our partnerships with professional organisations** also represent an important aspect of our community relations. The interests of the various sectors of the economy, and society, are represented by the associations formed by stakeholders, each focusing on a clearly defined set of objectives. Our participation in these organisations is important for two fundamental reasons. Firstly, it creates an opportunity to engage in professional dialogue, and secondly, it provides the CIB Group, and the bank sector as a whole, with a means of upholding and protecting its interests as part of a structured advocacy group. Last year we reviewed and rationalised our membership of organisations, and at the end of the year we participated in the professional work of a total of 16 organisations. For a list of the organisations, see section 4.

2.5.

Managing our environmental impacts in 2012

One of the most important steps in 2012 was the expansion of our selective waste collection program, at the beginning of the year, to include the CIB24 (customer service call centre) in the Újpest district of Budapest. The program's objective, through the establishment of a modern waste management system, is to find a solution for the selective disposal of waste generated in the CIB24 building, thereby reducing the quantity of communal waste and improving our energy profile. Another objective of the program was, with the help of intensive communication related to the selective waste collection scheme, to strengthen our colleagues' sense of responsibility towards their environment. The employees' attitude to selective waste collection is very positive; indeed, the request to establish the system was originally made by them when they learned about the program developed in our larger buildings. They received the launch of the system with enthusiasm, and have remained committed to this issue. In 2012 the plans for selective waste collection at the Szabadság tér head office building were also completed. Implementation is scheduled for 2013.

- In an important change to corporate governance practices, the CIB Group has adopted the parent company's **compulsory sustainability principles to be followed when implementing external and internal events**. The requirements influence both the choice of venue and the details of the implementation of corporate events.
- **As a consequence of our energy-saving measures and the branch closures, our overall energy consumption has decreased.** In the case of electric energy we **took a number of organisational steps, such as shutting down all ventilation systems at night. The decrease in vehicle fuel consumption** was due to the fact that during the year we once again significantly reduced the size of our company car fleet. The 141 cars owned by the company at the beginning of the year decreased, through

the sale of vehicles, to 129; and since 2011 the use of the pool cars has not been permitted between sites in Budapest.

- **In 2012 we started reporting CO₂ emission data on the basis of a different methodology than the one used before.** From now on – at the request of Intesa Sanpaolo – we will be reporting in detail on the carbon-dioxide emissions resulting from mobility, and this data now also includes the carbon-dioxide emissions from business flights and vehicle fleet fuel consumption, which was previously reported together with the bank's energy consumption data. From 2012 onwards we display these items in separate rows. The mobility report contains data on private cars used for company purposes, the vehicle fleet (fuel consumption, CO₂ emissions), airline flights and video conferences (1 502), through which we have cut down considerably on travelling, thus saving energy and reducing CO₂ emissions. Total CO₂ emissions resulting from mobility: 780.37 tons. Total CO₂ emissions from energy consumption: 6 945.13 tons.

- While in 2007 and 2008 we only measured the quantity of photocopier paper used, from 2009 the figures also include the quantity of leaflets, newsletters, envelopes, forms, transaction slips and letterhead. The quantity of recycled paper used in 2012 was **23 349.23 kg**, representing 8% of the total quantity of paper used. Overall there was a substantial reduction in paper use, but its composition also changed, and this development is also supplemented by a change of service provider. The almost 50% difference between the annual quantities is partly due to the fact that customer transactions unfortunately decreased in 2012, as we had to close a significant number of branches, and partly due to the changes we made to our processes. The purpose of the Branch Excellence project is to replace previously paper-based branch processes with electronic ones, and for this to bring discernible benefits in the short term.

- CIB Bank also **does a great deal to ensure sensible and efficient energy use in relation to hot water supply**. The solar collectors installed on the roofs of the office building in Petrezselyem utca and the two office buildings in Medve utca, as well as the CIB24 building, provide hot water to the four central office buildings. Last year the solar panels saved 7 476 m³ of natural gas, which is roughly equivalent to the annual gas consumption of our large branch in Pilvax köz.¹ The greenhouse gas emissions avoided through the use of renewable energy totalled 14.3 tons in 2012. The decrease seen in the case of our solar collector systems was partly due to the lower number of hours of sunny weather, and partly due to the fact that the head office buildings were empty due to vacations during the hot summer weather, so hot water consumption was lower anyway.

¹ Equivalent for achieving the same performance as that produced by the solar collectors, through the use of natural gas (The conversion ratio applied by Intesa was 1 m³ gas=9.5 kWh in 2011 and 2012, and 1 m³ gas=9.6 kWh in 2010, whereas in previous years we applied the 1 m³ gas=9.5 kWh ratio specified by our energy consultant).

Greenhouse gas emissions avoided

	2008	2009	2010	2011	2012
tons, as carbon-dioxide equivalent ¹	22	24	17.94	16.33	14.3

	Unit	2009	2010	2011	2012
Total energy consumption	GJ	112 883	103 159	102 089	93 408.65
Electricity consumption	kWh	18 755 237	18 648 750	17 653 388	17 077 022
Other renewable energy	kWh	111 969	89 061	80 221	71 022
Natural gas consumption	m ³	893 833	818 460	784 264	780 781
Vehicle fuel consumption	l	464 199	250 872	245 505	210 726
Water consumption	m ³	28 149	33 466	28 612	28 000
Vehicle fleet	number of vehicles	206	154	141	129
Paper usage (office A4, A3)	kg	235 131	209 779	177 433	175 828
<i>Paper usage² (office A4, A3 other)</i>	kg	329 572	315 184	368 958	287 829.7
Paper usage per employee (office A4, A3)	kg/person	71.7	57.41	50.46	63.82 ⁷
<i>Paper usage per employee³ (office A4, A3 other)</i>	kg/person	100.5	86.26	104.94	104.5
Energy consumption per employee	GJ/person	34.43	28.23	29.04	33.91
Energy consumption per m ² of office space ⁴	GJ/m ²	1.17	0.93	1.21	1.13
CO ₂ emissions resulting from energy consumption ⁵	t	10 427	9 085.55	8 370	6945.13
CO ₂ emissions from energy consumption per employee	t/person	3.18	2.31	2.38	2.52
CO ₂ emissions resulting from mobility ⁶	t				780.37
CO ₂ emissions from mobility per employee	t/person				0.28
Total CO ₂ emissions	t				7725.5
Total CO ₂ emissions	t/person				2.8
Water consumption per employee	m ³ /person	8.58	9.16	8.14	10.16

¹ Conversion ratio: 1.918 kg/m³ in 2012 (Intesa), in accordance with Intesa's recommendation we do not take boiler efficiency into account; previously 1.934 kg/m³.

² For reasons related to data collection, the 2008 annual data only includes the quantity of photocopier paper used. The 2009-2011 figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead.

³ For reasons related to data collection, the 2008 annual data only includes the quantity of photocopier paper used. From 2009 onwards the figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead.

⁴ When calculating the energy consumption per square metre of office space the energy usage (GJ) arising from vehicle fuel consumption is not relevant, and therefore we have also modified the previous years' data accordingly. Defining the concept of office square metre also took place based on the definition approved by Intesa Sanpaolo; net office area in 2010 102 461,85 m²; in 2011 84 664 m²; in 2012 82 662 m².

⁵ In respect of the 2007-2009 period CO₂ emissions have been calculated based on the conversion rates set by the Budapest University of Technology and Economics, which are, in the case of electricity, 401 kg/kWh, in the case of natural gas 1.9739 kg/m³, and in the case of vehicle fuel (diesel, petrol), 2.46 kg/l. With effect from 2010, we use the conversion rates recommended by our parent company Intesa Sanpaolo. In 2012, in the case of electricity 319 kg/kWh, in the case of natural gas 1.918 kg/m³, in the case of vehicle fuel diesel 2.672 kg/l and petrol 2.444 kg/l; in 2011, in the case of electricity 335 kg/kWh, in the case of natural gas 1.934 kg/m³, in the case of vehicle fuel diesel 2.352 kg/l and petrol 2.622 kg/l.

⁶ Source: Based on the list provided by our travel services provider and the recommendation of ISP's CSR specialist, up to and including 2011 we had been using the CO₂ calculator at www.jp.morganclimatecare.com. Starting in 2012 we have been calculating the CO₂ emissions resulting from mobility, thus including emissions created by airline flights, using another method, as requested by Intesa Sanpaolo.

⁷ From 2012 onwards the headcount data comprises the total number of active bank staff, excluding those on long-term leave.

Shaping attitudes

- As the first of the financial institutions in Hungary to apply, we took part again in **WWF Earth Hour**, as a part of which – for the purpose of raising awareness – the CIB Group also switched off the exterior illuminations of its central office buildings for two hours.

Transportation

- Currently **a total of 101 bicycle parking spaces are available at our central office buildings in Budapest:** we installed **additional lockers** (18 new lockers) in the smaller office building in Medve utca for the use of employees who cycle to work, so now a total of **175 lockers** are available to our colleagues at the central office buildings. In our Medve utca buildings we improved the ventilation system in the existing locker rooms, and renovated the rooms themselves. This work continued into early 2013. In each of these buildings an extra locker room was added to the cycling infrastructure. In all our head office buildings **heating and hot water** are provided all year round, even outside the cycling season, for those determined colleagues who also cycle to work in the winter.
- In the large head office building in Medve utca the locker rooms will be expanded in 2013.
- We plan to launch a cycling club.
- Our “CIB Bike Sharing” bicycle rental program has been used approximately 500 times since its launch. The bicycles were also on show at the “Pilis Pedal” family cycling event organised by the Szendtendre branch.
- Those of our employees who have become attached to cycling through the “CIB Bike Sharing” scheme receive a discount on bicycles and accessories from our partner contracted to service the bicycles. (Naturally, the discount is available to all of the Bank’s employees).

Development of services

- In the case of statements sent to the customers of CIB Bank, the leaflets used for marketing purposes (newsletters attached to the statements) are made from **recycled paper**; the number of these **in 2012 was close to 3.25 million**.

Responsible waste management, with benefits for society

- Three years ago the CIB Group concluded an agreement with the Hungarian Maltese Charity Service regarding the **removal and reprocessing of electronic waste**. The Charity Service has created the first electronic waste processing site licensed by the environmental authorities, in the small town of Tarnabod, which is both socially and economically disadvantaged. The facility, which is run as

a social enterprise, has a maximum capacity of 600 tons per year, and besides achieving important environmental objectives it also creates jobs for disadvantaged groups within society. **In 2012 the CIB Group had 25 950 kg of electronic waste transported to the site.** The increase in quantity was due to the more detailed reporting by the new waste transportation company, the inventory-taking, branch closures and scrapping, as well as the closure of our storage facility in Baross utca.

- We continue to provide an opportunity to **dispose of dry cells, which are classified as hazardous waste**, in receptacles located in our central office buildings and the CIB24 customer service area. **The weight of dry cells collected in 2012 was 330 kg.**
- Companies can generate high quantities of confidential documents. After being destroyed, these can go to the paper factory as a secondary raw material. Since 2012 a new service provider has been performing the collection and processing of confidential paper waste from both the provincial branches and the head office buildings in Budapest. We have installed collection bins in the corridors of our central office buildings, and from here we hand over the paper to the service provider already shredded: **in 2012 we delivered 58 130 kg of paper for recycling.** The increase in quantity was due to the more detailed reporting by the new waste transportation company, the inventory-taking, branch closures and scrapping. Although the new process was introduced in connection with the launch of the selective waste collection system, the company also removes paper waste generated in our other head office buildings and the CIB24 building, not only in our smaller office building in Medve utca.

In 2012 we collected a total of 1 885 kg of PET bottles, twice as much as in the previous year, because owing to the selective waste collection system employees now take more responsibility for their environment and pay more attention to collecting plastic bottles separately, and thus the quantity of communal waste has decreased. One kilogramme of PET consists of on average of 25 crushed bottles, which puts the number of selectively collected bottles at a total of 47 125. At the smaller of our head office buildings in Medve utca we have installed new, manual bottle crushers, which are more environmentally-friendly than the earlier, electrical models, since they consume no electricity and no toxic gases are released when using them. At our colleagues’ request, we have installed manual crushers of this kind in place of the old ones, or where no crusher was previously available.

Quantity of waste generated by type (kg)

	2008	2009	2010	2011	2012
Paper	23 840	52 140	44 980	31 550	58 130
Packaging materials (paper, cardboard and plastic)	1 000	2 220	0	0	0
Office machinery	2 960	6 300	17 920	6130	25 950
Hazardous waste	1 523	1 175	290	220	330
<i>Used dry cells</i>	365	745	155	220	330
<i>Waste that is damaging to the ozone layer (e.g. refrigerators)</i>	1 158	430	135	0	0
Other	365	1 847	3 358	4 125	4 090
Total	29 688	63 682	66 548	42 025	88 500

In past years we collected packaging materials in the building located in Váci út, Budapest, which was formerly occupied by CIB Leasing. However, these premises have since been vacated, so since 2010 we have had no means of separately collecting packaging materials. In a new development, since 2011 the boxes in which photocopier paper is supplied are now removed by our partner together with the non-confidential paper waste. In 2012 the quantity of paper waste increased significantly. Reasons for this include the new data reporting system used by the new waste transportation company, and the branch closures carried out in 2012.

The increase in the quantity of office machinery waste in 2010 was due to the branch closures, internal changes of premises, inventory-taking, the emptying of the storage facility in Baross utca, and the scrapping of equipment.

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

The selective waste collection system was put in place in the CIB24 building with a minimal capital outlay, and, because the quantity of communal waste has decreased as a result, the communal waste disposal service provider now removes 37 440 litres less communal waste every year. As a part of the selective waste collection scheme we separately dispose of PET bottles, non-confidential paper waste.

3.

Corporate governance

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

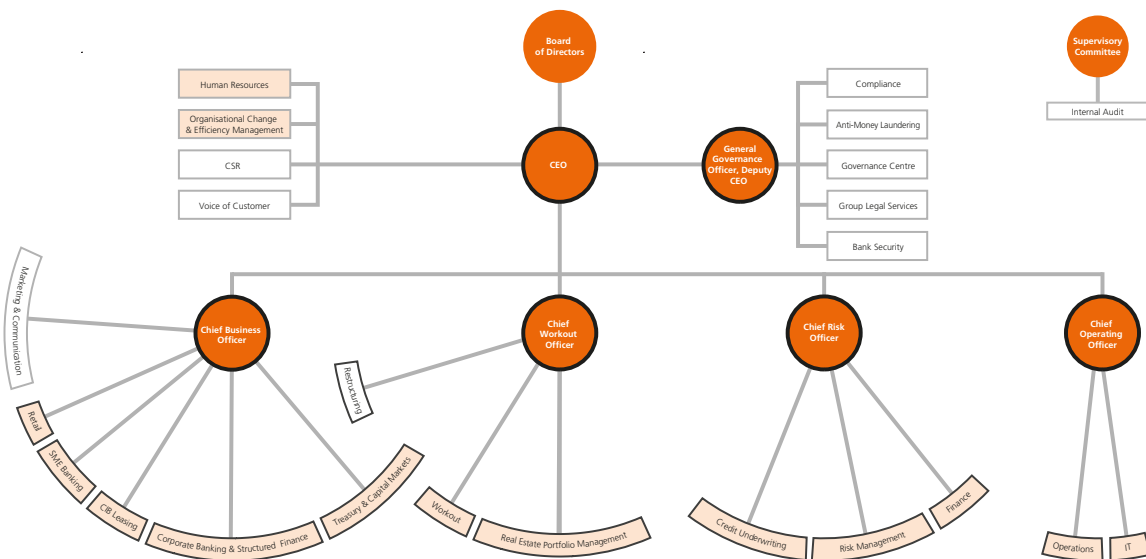
3.1.

Organisational structure

Our Bank Group provides commercial banking, leasing, fund management and factoring services to private and business customers in Hungary. Similarly to the other players in the sector, in recent years it had placed an emphasis on ensuring

continuous growth in its customer base; however, this trend was interrupted by the financial crisis, which shifted the focus to customer retention and gaining the best possible understanding of client needs. The loan portfolio reflects an even higher degree of risk-awareness than before, with efforts being made to improve loan quality, while in respect of deposits the aim is to further accelerate the rate of growth. Naturally, profitable operation remains an important objective, in the interests of which we are constantly improving our cost effectiveness. These objectives fundamentally serve the long-term stability of the banking group. We provide comprehensive information about our services on our internet site, and in our Annual Financial Statements, which can also be downloaded from our website. (For supplementary data and tables related to the section below, see Annex 4.3.)

The organisational structure of CIB Bank (31 December 2012)



Following on from 2011, several significant organisational changes – affecting the business and operating model – continued in 2012 as well. One of the most important organisational changes of the period was the continued restructuring of the retail and SME network. In response to the stricter regulations and the protracted financial crisis, in 2012 we had to further streamline our branch network. Following the closure of 20 branches – while continuing to provide nationwide coverage – as of the end of the year we served our customers in a total of 108 branches.

In March Fabrizio Centrone was appointed as the new CEO of the CIB Group.

The post of Chief Operating Officer (COO) was created to coordinate and oversee the activities of the Operations and IT divisions, and is held by Giorgio Gavioli. Parallel to this, Eduardo Bombieri now oversees the Credit Underwriting, Risk Management and Finance divisions in his capacity as Chief Risk Officer. The reason for the change was partly to devote more attention to the complex operation of the Operations

and IT divisions, and partly to place even more emphasis on the risk-based supervision of the CIB Group's portfolio.

To promote efficiency and simplify processes, the Organisation and Project Management departments have ceased to exist in their previous form, and the Organisational Change and Efficiency Management Division was established in their place. The former Organisation and Project Management departments, as well as two new organisational units, Process Management and the transforming IT Security and BCM departments report to the head of the division.

The Group Compliance Department has ceased to exist in its previous form, and in future these activities will be conducted by the Anti-Money Laundering and Compliance Offices within the General Governance Division.

The Project Finance Division also no longer exists in its previous form, and the part of the division that manages the project finance portfolio now reports to the head of Corporate Banking, while the other half of the team reports to Chief Workout Officer Jon Locke. Another change affecting Workout is that the unit engaged in the management of repossessed assets has split away from the division, and now reports directly to Chief Workout Officer Jon Locke.

In the interests of simplification and boosting efficiency, organisational changes were made at all the divisions following a review of the relevant processes. The CIB Group's far-reaching and comprehensive restructuring program (the New Bank Program) continued also in 2012, as we deployed management and staff resources for the coordinated, carefully researched and targeted restructuring of our business model. The focus of the changes continues to be simplification and customer experience. The prime objective of senior management is for us to stand out among our competitors, in each of our business lines, through the quality of banking processes and the standard of services provided to customers.

3.2.

Decision-making bodies

Members of the Board of Directors

Name	Organisation represented
Dr. György Surányi, chairman	Intesa Sanpaolo Banking Group
Paolo Sarcinelli	Intesa Sanpaolo Banking Group
Giampiero Trevisan	Intesa Sanpaolo Banking Group
Fabrizio Centrone	CIB Bank
Eduardo Bombieri	CIB Bank
Dr. Gábor Király	CIB Bank
Gábor Plank	CIB Bank
Jonathan Locke	CIB Bank

As at 31 December 2012

Members of the Management Committee

Name	Position, area of responsibility
Fabrizio Centrone	CEO (chairman)
Eduardo Bombieri	Chief Risk Officer
Dr. Gábor Király	Chief Governance Officer
Gábor Plank	Chief Business Officer
Jonathan Locke	Chief Workout Officer
Giorgio Gavioli	Chief Operating Officer
Boglárka Kőszegi	Head of Human Resources
Alessio Cioni	Head of Organisational Change and Efficiency Management
Krisztián Horváth	Head of Retail Banking
Dávid Csont	Head of Corporate Banking
Csongor Németh	Head of SME Banking
Áron Vitályos	Head of Leasing
Zoltán Tóth	Head of Treasury and Capital Markets
Pavol Tavec	Head of Credit Underwriting
Zsuzsanna Németh	Head of Risk Management
Magdolna Juridesz	Chief Financial Officer
Andrea Wéber	Head of Operations
Attila Bukovszki	Head of Information Technology
Zoltán Csordás	Head of Workout

As at 31 December 2012

The bank's supreme decision-making body is the **Shareholders' Meeting**, which is made up of all the shareholders.

The structure of the other boards is as follows:

- The bank's executive body is the **Board of Directors**, the members of which are employed either by the parent group or by CIB Bank.
- The **Supervisory Committee** is responsible for overseeing the bank's operations, and is chaired by Ivan Sramko. The Supervisory Committee has two members representing the employees, for whom it represents a means of communicating employees' recommendations to both the owner and the Shareholders' Meeting.
- The **Audit Committee**, chaired by Christophe Welle, supports the work of the Supervisory Committee, primarily in relation to auditing, risk management and compliance-related tasks.
- The **Executive Committee** is authorised to decide on matters determined by the Board of Directors.

- The **Steering Committees** are authorised to independently make decisions and launch initiatives affecting the entire CIB Group, within the scope of authority delegated to them by the bank's Board of Directors:

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

- The **Operative Committees** are independent bodies charged with the making of non-strategic decisions at the level of the overall CIB Bank Group.
- The CIB Bank Group's **Technical Committees**, within the scope of their authority, have initiation, proposal and advisory rights.
- **Auditor:** Ernst & Young

3.3.

Selection and evaluation of managers

A key factor in the success of an organisation's operation is the expertise of its senior managers. Therefore the selection and appropriate motivation of managers, and the evaluation

of their performance, is an important aspect of corporate governance. We go into detail regarding this subject in the section titled "2.2 Employees".

3.4.

Promoting ethically-sound and 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. It also introduced the CIB Group's Code of Conduct. The Code of Ethics is a document that reflects our broader vision of our social and environmental 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.

Rules of Ethics Procedures

All companies that operate in compliance with strict ethical norms have established mechanisms that serve to reveal risks that have previously, due to their nature, remained hidden. Ethical risks are typically of this nature. These can affect not only the company itself, but its employees or even its customers or suppliers. The purpose of the procedural rules is to open up a channel for the disclosure of issues in relation to which aggrieved

parties have until now been unable to ask for help; but it also creates the opportunity to consult and request advice on certain ethical issues.

The Rules of Ethics Procedures, introduced at the end of 2011 and subsequently amended on the basis of the initial experience of its implementation, ensure compliance with the corporate values and principles defined in the Code of Ethics of the CIB Group, and make it possible to detect any breaches of its provisions. We take the Code of Ethics and the Code of Conduct as the basis for our interpretation of a given report.

The Intesa Sanpaolo Group, of which the CIB Group is a member, has established a local ethics ombudsman system in each country where it has a subsidiary. This essentially means that, with a few exceptions, complaints concerning ethics-related issues are investigated and the decision is made in the country of the subsidiary bank concerned. The system makes it possible for the member banks to take local conventions into account when conducting the investigations and procedures, and based on this the CIB Group has decided to establish an Ethics

Committee to assist the work of the ethics ombudsman. This means that every report is investigated by the Ethics Committee, which is chaired by the bank's CSR manager, as the ethics ombudsman. We automatically send a notification of every report to our head office in Italy.

The system is currently primarily accessible to employees. The Rules of Ethics Procedures serve to reveal concealed risks or specific cases of unethical conduct, and to also enable the Ethics Committee to fulfil a preliminary or even pre-emptive consultative, advisory role. One of the most important principles of the ethics system is to provide the opportunity for anyone who notices unethical conduct to report the matter, anonymously if need be, with full protection of the personal and – in the case of an employee – employee's rights of the person filing the report.

The Ethics Committee – in the spirit of our Code of Ethics – does not impose sanctions. Its task is to judge whether the claims made in the report are warranted, and to take steps to share the lessons learned. Thus, at the end of the investigation there are two decisions that the Ethics Committee can make: it can either dismiss the allegation, or it can judge it to be warranted, in which case it hands the case over to the appropriate specialist department or to HR for an eventual decision under labour law or a specialist investigation.

In 2012 two ethics-related investigations were conducted, and in both cases an ethical transgression was found to have occurred. In both cases the reports were made by employees, in the following categories:

- unfair practice;
- management conduct.

In all cases that led to a finding of culpability the Ethics Committee shares the details of the case, and the lessons that can be learned (without compromising the anonymity of those concerned) with the employees.

In 2012 we produced an interactive training course that all employees must study, in order to sit an examination in the course of 2013.

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 rules of personal conduct and 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 regulatory system as a policy, the breaching of which may have consequences under labour law.

The Bank also clearly defines its fundamental principles pertaining to responsible practices in its Organisational and Operational Regulations (OOR). 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.

Functions supporting responsible operation

Support for the appropriate handling of issues that are essential for responsible banking operations is assured by the clear definition of responsibilities, or in certain cases – to emphasise the importance of the given function – through the creation of a separate organisational unit. From this standpoint we regard legal compliance – especially with respect to the prevention of money laundering – and the appropriate management of the risks arising from our operation as being of particular importance.

The purpose of the risk management function is to identify the risks of the given organisational unit, to measure the identified risks and manage them to ensure that they do not jeopardise prudent operation or the fulfilment of business objectives. In the CIB Group, the Finance and Risk Management divisions are responsible for these activities.

We regard the continuous strengthening of fraud awareness within the bank group as being of key importance, whether this relates to the prevention of internal fraud, protecting against external fraud attempts, or the handling of any successful incidences of fraud. The most important fraud exposures within the Bank Group have been assessed, and the bank has put in place the appropriate control processes, reports and a system of risk-mitigation tools.

• Responsible lending

Our framework system for risk assumption supports active but responsible lending. The responsibility is two-sided, since it does not only mean responsibility towards the CIB Group's shareholders and deposit customers, which presupposes cautious, risk-conscious lending in the interest of safeguarding the invested funding sources, but it also means responsibility towards the customers that we finance; in other words, offering financing solutions that are consistent with the customers' risk profile and creditworthiness. To ensure the latter,

we precisely assess our customers' financial capacity, while in the interest of the former we maintain a lending policy and approval procedures that are based on the Bank Group's experience and on an analysis of other information, we operate a monitoring system, engage in workout activities, and manage our risks in a complex manner, analysing them in their broader context. High-quality and effective monitoring activity is assured by an electronic solution that automatically computes what are known as early warning signs – information that can assist in identifying customers that could require special help. Besides supporting monthly monitoring, the system is also suitable for the maintenance of action plans and for reporting, making it possible to measure the results of action taken, which in turn assists in the fine-tuning of the system and the processes involved, and in the provision of constant feedback.

• 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 risk management, governance and control procedures.

• Assuring legal compliance

The purpose of compliance activities is to ensure that the bank's financial, investment and other service-provision operations are conducted within the constraints of the law, and with a view to mitigating related risk. The Compliance department has developed numerous internal regulations that provide the CIB Group with clear guidance regarding the rules to be followed in respect of issues that are particularly sensitive or potentially controversial. In the event of non-compliance the Compliance Department regularly informs the senior management about the circumstances of any revealed deficiencies and the status of measures taken to resolve them.

• 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 2012, building on previous efforts, by developing its IT infrastructure the CIB Group increased the security and effectiveness of its efforts to prevent and combat money laundering.

Our employees participated in distance learning courses and took electronic examinations in the prevention of money laundering, conflicts of interest and security awareness, via the e-learning (MultiLearn) interface.

In 2012 a total of 1 641 employees at the bank and the subsidiaries received annual training in the prevention of money laundering. The obligatory Code of Conduct, which was approved in 2008, includes a set of rules on the prohibition of corruption.

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

• Prevention of conflicts of interest

With respect to conflicts of interest, we proceed in accordance with requirements that are stricter than those set out in Act CXII of 1996 (Credit Institutions Act), Act CXXXVIII of 2007 (Investment Services Act), and Act XXII of 1992 (the Labour Code). It is the responsibility of every manager and general employee to avoid participation in any decision, preparations for a decision, or contract conclusion, that represents a conflict of interests for him or her.

• Consumer protection

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

In 2012 all employees whose work brings them into direct or indirect contact with consumers during their work sat electronic examinations in subjects related to consumer protection, conducted via the internal electronic network.

• Risk management, prudent investments

The necessary purpose of the Risk Management function is to identify the risks of the organisation, 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 appropriate departments are responsible at CIB.

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

In 2011 the CIB Group formulated its Risk Management Strategy, which is reviewed on an annual basis. The purpose of the strategy is to describe the internal capital adequacy assessment process and concept, which encompasses the CIB Bank Group's risk assumption policy, its appetite for risk and the structure of risk control operations. The strategy includes a detailed definition of all the risks identified within the CIB Bank Group, and the basic principles and methodology for the qualitative and quantitative measurement of the risks.

In 2012 the CIB Bank Group implemented the "Environmental and Energy Policy" of the owner Intesa Sanpaolo, during which process the framework for the Bank Group's activities that have an environmental impact were defined.

In 2013 the Bank Group plans to implement the so-called "Equator Principles" of the owner Intesa Sanpaolo, under which the environmental impacts of projects seeking financing must be taken into consideration in the course of the project finance credit appraisal.

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

Legal requirements and the best practices of risk management are incorporated into the Bank Group's daily operations through the internal regulations. The internal regulations address in detail the procedures related to debtor rating, limit-setting, the recognition and evaluation of collateral, loan and customer monitoring, and the measurement, reporting and management of risks, applicable to the various customers and customer groups. They also specify in detail the lending-related responsibilities and duties of the individual organisational units. In keeping with the requirements of the supervisory bodies and its owner, the Bank Group pursues a prudent policy with regard to the assumption of risk.

The management of the lending process, from the initial customer request through the credit approval and monitoring process, to full repayment of the loan, or workout

management if unavoidable, takes place in accordance with predetermined principles. The basis of all decisions related to credit risk is the overall exposure of the customers that are related to each other to CIB Bank Group.

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

Special emphasis is also placed on the management of liquidity and cash-flow risks, due to the high importance of maintaining the Bank's solvency and ensuring the safety of customer deposits at all times. The CIB Group's strategy is to ensure that the Group has appropriate and dependable liquidity reserves, consisting of good-quality assets, both in the course of normal operation and under circumstances of stress. In addition to this, the Bank also has a plan for the management of liquidity crises.

Of the various price risks, the Bank Group is predominantly susceptible to the impacts of changes in FX rates, while changes in the equity and other prices have a lesser effect. The Bank Group seeks to hedge its FX positions as securely as possible: the carefully considered establishment of positions takes place as a part of the trading activities performed by the Treasury.

• Labour law

The CIB Group, as a responsible money-market participant, complies with the laws pertaining to employment, and with the relevant provisions of the Fundamental Law of Hungary. By adding its signature to the UN Global Compact it has agreed to be bound by the principles set forth therein, and thus – with respect to employment – to fully comply with the passages prohibiting all forms of child labour and forced labour.

3.5.

CSR management and communication

The task of the central CSR department is to coordinate and oversee the various CSR projects and initiatives, and to implement uniform internal and external CSR communication. CSR activities have come under the direct supervision of the CEO since summer 2009, although due to resource-distribution reasons the related tasks are performed by the Communication department. A report on CSR activities is prepared for the senior management at regular intervals, presenting the most important achievements of the previous quarter and the challenges of the coming period.

Stakeholder engagement

The basis of CIB's corporate social responsibility activity is the ongoing dialogue that it maintains with its stakeholders. **We regard as our stakeholders all those who may be affected by the activities and operations of the bank, and/or who may have an effect on our organisation. Of these, the following three groups are of critical importance from the perspective of our operation: employees, customers and the owner.** Besides these three priority groups, we have identified further stakeholder groups, which are: suppliers, civic organisations, local communities and professional organisations.

An essential part of responsible operation is the engagement of stakeholders, and maintaining a continuous dialogue with them. This makes it possible for opinions, ideas and proposals to be heard, discussed and incorporated into the bank's operation. In the course of 2011, we continued using a variety of formats, communication tools and channels to engage with our stakeholders. The following are just a few examples, which are explored in more detail in the various sections of this report:

- As part of the **"100% Listening" program, we continued to survey the opinions of our customers** and assess their satisfaction, by means of a questionnaire distributed in our branches and posted on our website.
- In an **Employee Climate Survey**, we assessed our employees' workplace sentiment, and their opinions and attitudes regarding CIB as an employer.
- We held consultations with the **Staff Council**, especially with regard to the mass redundancies.
- We gave our employees the opportunity to actively **volunteer their services** in support of the Bátor Tábor (Camp of Courage) Foundation.
- We have launched initiatives in several towns with the aim of **improving financial literacy among the local community.**

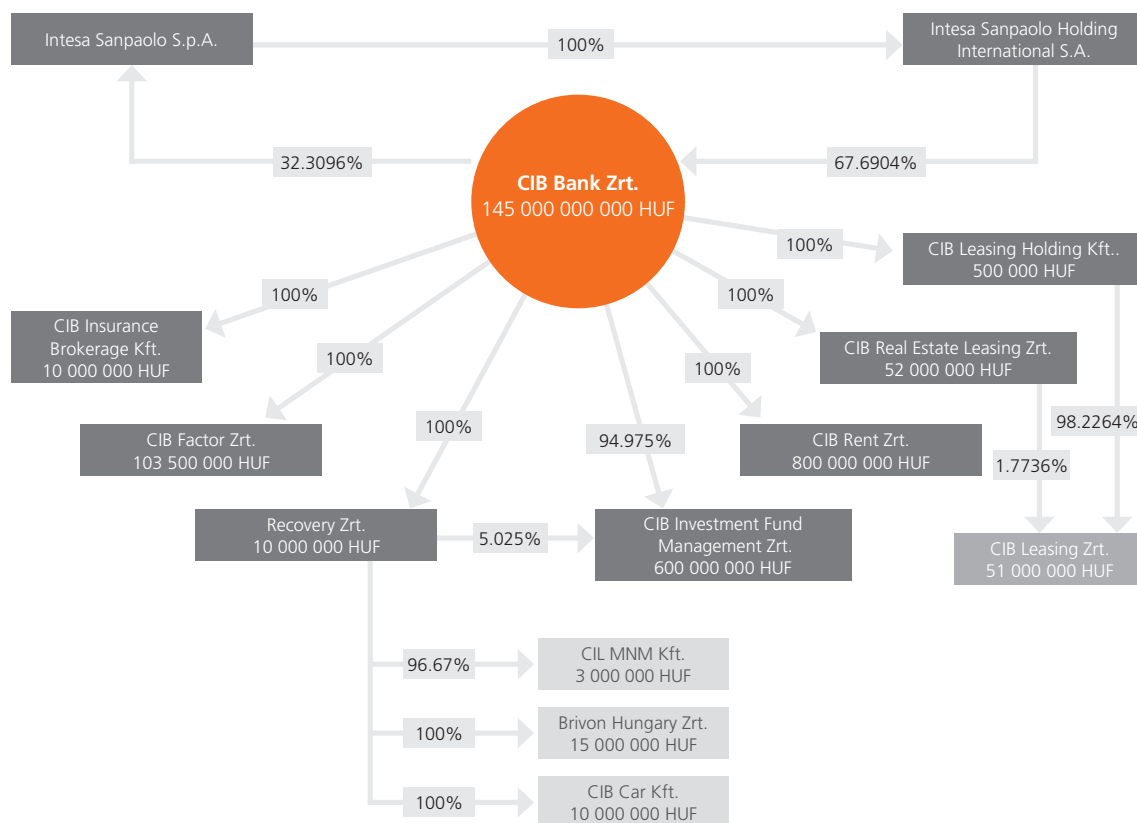
4.

Annexes

4.1.

CIB Bank – core data

Name:	CIB Bank Zrt.
Territory of operation:	Hungary
Form of incorporation:	Privately-held Joint Stock Company (Zrt.)
Ownership structure:	Intesa Sanpaolo Holding International S.A. 67.6904%
	Intesa Sanpaolo S.p.A. 32.3096%
	As at 31 December 2012

Members of the CIB Group¹

As at 31 December 2012

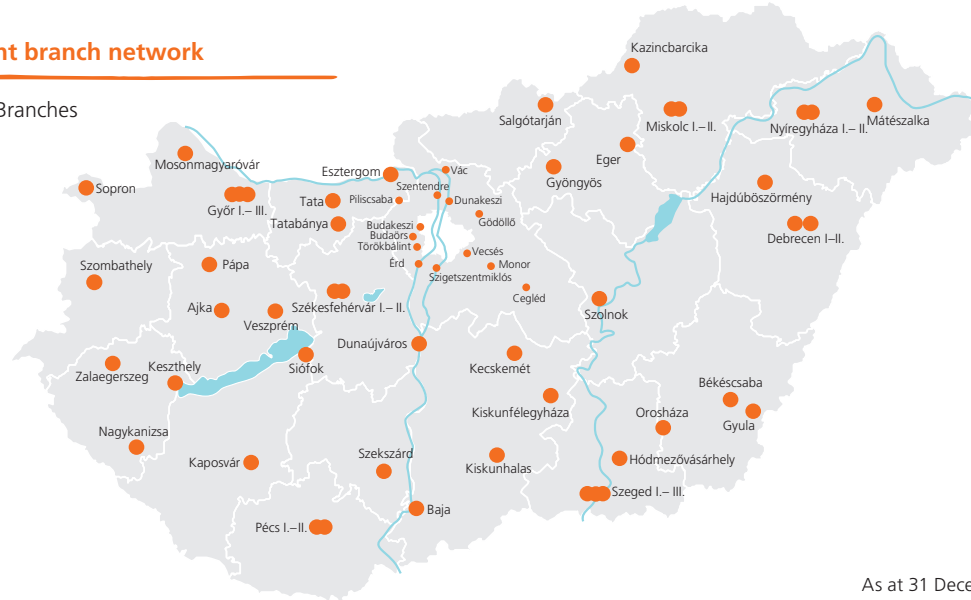
¹ Subsidiaries providing business services.

4.2.

Branch Network

Current branch network

● CIB Branches



As at 31 December 2012

Budapest

● CIB Branches

- | | |
|-----------------------|-----------------------|
| 1 – Oktogon | 11 – Zöldfa |
| 2 – Nyugati tér | 12 – Fényes Elek utca |
| 3 – Szent István krt. | 13 – Ferenciek tere |
| 4 – Pilvax | 14 – Rákóczi tér |
| 5 – Károly krt. | 15 – Bajcsy |
| 6 – Kálvin tér | 16 – Ferenc krt. |
| 7 – Rózsakert | 17 – Szabadság tér |
| 8 – Lövház utca | 18 – Blaha |
| 9 – Medve utca | 19 – Westend |
| 10 – Kékgolyó utca | 20 – Allee Skála |



As at 31 December 2012

Our presence across the country

	2008	2009	2010	2011	2012
Bank branches	153	151	145	128	108
Representative offices	42	24	0	0	0
ATMs	228	221	211	186	171

Data as of 31 December

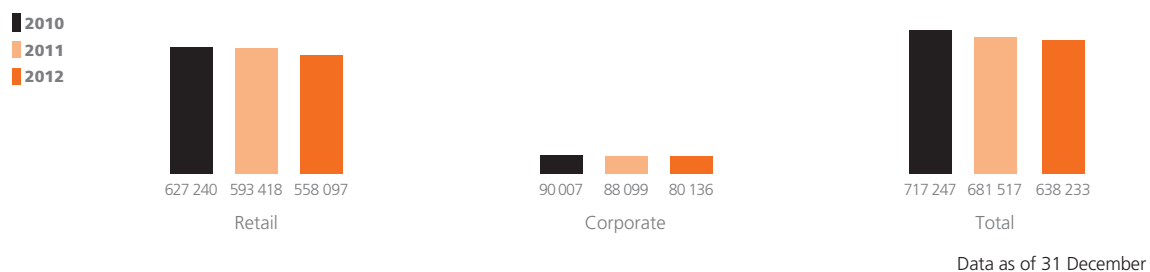
4.3.

CIB Bank in figures

4.3.1.

Business Data

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



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

	2010	2011	2012
0–32 years	27.6	27.5	27.3
33–42 years	26.0	25.7	25.0
43–52 years	18.1	18.2	18.4
53–67 years	21.5	21.2	21.1
Over 67 years	6.8	7.4	8.2

Data as of 31 December

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

	2010	2011	2012
0–1 years	9.2	6.4	5.1
2–4 years	38.3	32.4	25.5
5–7 years	32.7	33.9	34.9
8–10 years	11.9	16.4	20.8
11–20 years	7.8	10.9	13.6
20 years or more	0.1	0.1	0.1

Data as of 31 December

Retail product usage (including micro-enterprise customers)

	2010*	2011	2012
Retail loans (HUF billion)	767.2	671.3	521.2
Retail deposits (HUF billion)	724.2	819.8	804.7
Number of active bank cards	460 098	419 787	425 369
Number of customers with an active CIB Internet Bank subscription	308 555	324 392	325 910

Consolidated, IFRS data as at 31 December

* Updated in 2012.

Corporate product usage

	2010*	2011*	2012
Corporate loans ¹ (HUF billion)	1 376.2	1 230.2	996.7
Corporate deposits ² (HUF billion)	618.9	597.7	506.2
Number of active bank cards	9 880	8 437	8 445
Number of customers with an active CIB Internet Bank subscription	13 026	8 986	8 610

Consolidated, IFRS data as at 31 December

*Updated in 2012.

Distribution of the loan portfolio by sector (%):

(million HUF)	2011 (%)	2012 (%)
Commerce	10.29	10.67
Private individuals	30.80	28.65
Real estate investment	25.17	25.10
Other, mainly service sector	15.62	18.00
Food processing	1.75	1.87
Transport and communication	3.47	3.19
Light industry	2.96	2.94
Heavy industry	2.56	2.66
Financial activities	4.55	4.00
Agriculture	2.28	2.35
Chemical and pharmaceutical industry	0.55	0.57
Total	100.0	100.0

Consolidated, IFRS data as at 31 December

4.3.2.

Authority proceedings

- Number of proceedings launched by the various authorities, concluded in 2012 with the passing of a resolution: 94 (in 2011: 85, in 2010: 20, in 2009: 16)
- Of these, the number of proceedings in which a breach of law was found to have been committed, and a fine was imposed: 64 (in 2011: 46, in 2010: 13, in 2009: 8)
- Amount of fines paid in 2012: HUF 33.9 million (in 2011: HUF 31.1 million, in 2010: HUF 15.9 million, in 2009: HUF 206.5 million)

The large statistical difference relative to the data from the previous years is due to the fact that since 1 January 2010

the HFSA has also launched consumer protection procedures. Almost 95% of these procedures were launched on the basis of an individual complaint, and not at the authority's own initiative on the basis of its "classical" supervisory rights. These accounted for HUF 32.9 million.

Competition Office (GVH) and the Equal Treatment Authority³

In 2011 neither the Competition Office nor the Equal Treatment Authority imposed fines on members of the CIB Group.

¹ Excluding loans provided to members of the CIB Group.

² Excluding deposits collected from members of the CIB Group.

³ In 2008 the GVH imposed a fine of HUF 90 million for misleading advertising; there is no comparable data from 2007.

4.3.3.

Human resources data

Number of employees of the CIB Group

	2008	2009	2010	2011	2012
Fixed-term	144	99	82	33	16
Indefinite-term	3 513	3 180	3 009	2 912	2 739
Total	3 657	3 279	3 091	2 945	2 755

Data as of 31 December

	2010	2011	2012
Number of part-time employees	32	32	34
Number of employees with congenital disabilities	4	0	0
Number of employees with acquired disabilities	22	20	20
Number of agency employees	51	40	45

Data as of 31 December

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

	2008	2009	2010	2011	2012
Male, under 30	11.7	10.5	8.8	7.2	5.88
Female, under 30	24.4	25.6	17.7	17.1	13.97
Male, 30-50	20.8	18	23.6	24.7	26.57
Female, 30-50	36.3	40.4	43.4	44.7	46.79
Male, over 50	1.7	1.4	1.5	1.3	1.45
Female, over 50	5.1	4	4.9	5	5.34

Data as of 31 December

The CIB Group's employees by level of formal qualification (%)¹

	2008	2009	2010	2011	2012
University	23.5	47.8	50.9	50.4	48.9
College	30.2	49.5	47.2	47.3	49.0
Other ²	46.3	2.7	2.5	2.3	2.1

Data as of 31 December

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

	2008	2009	2010	2011	2012
Executive male	4.9	5.1	5.5	5.7	5.95
Executive female	2.4	2.3	3.7	4.4	4.43
Male specialist	9.4	9.8	9.0	9.1	9.66
Female specialist	9.0	9.7	9.5	9.6	10.49
Male subordinate	19.9	18.9	19.4	18.4	18.29
Female subordinate	54.4	54.2	52.9	52.8	51.18

Data as of 31 December

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

² Secondary school, vocational school, technical college, skilled-worker training

Proportion of male and female employees at the individual levels of seniority (%)

	Male	Female
Executives	57.34	42.66
Specialists	47.93	52.07
Subordinates	26.33	73.67

As at of 31 December 2012

The CIB Group's employees by geographical location (number of employees)¹

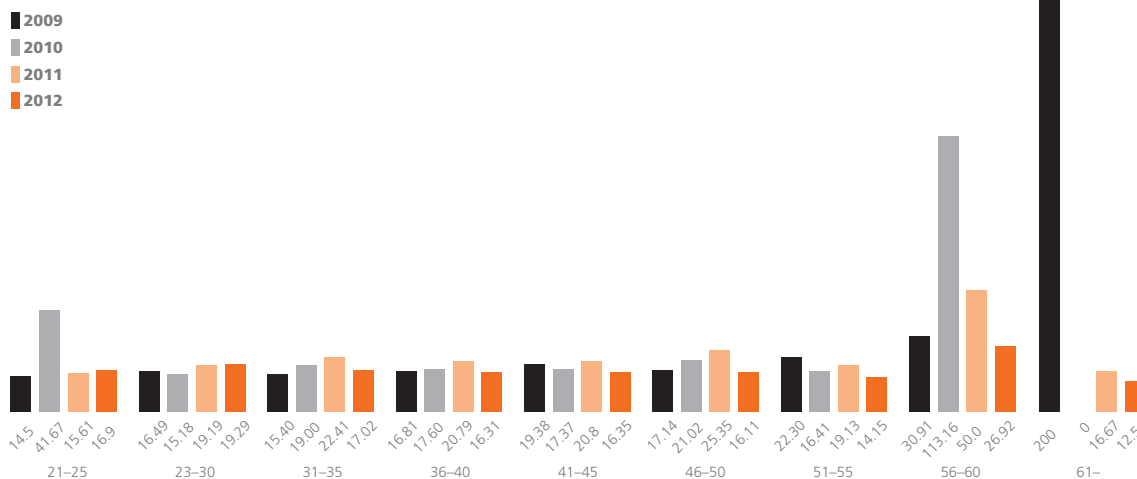
	2011	2012
Budapest	2 375	2 232
East Hungary Region	304	278
West Hungary Region	266	245

Data as of 31 December

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

	2008	2009	2010	2011	2012
Proportion of employees leaving the company	20.4	17.14	19.3	20.6	17.28

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



Proportion of employees leaving the company, by gender (%)

	2009	2010	2011	2012
Male	19.01	23.8	23.5	18.31
Female	16.19	16.9	15.3	16.75

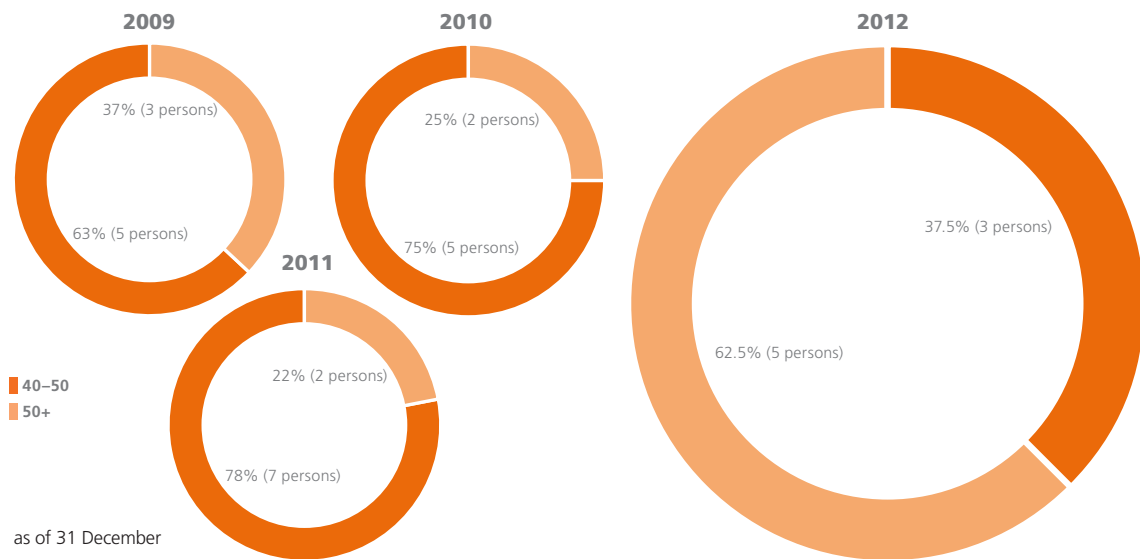
Employee turnover in the CIB Group (number of persons)

	2008	2009	2010	2011	2012
Employees joining	889	230	476	483	317
Employees leaving	747	562	598	621	476

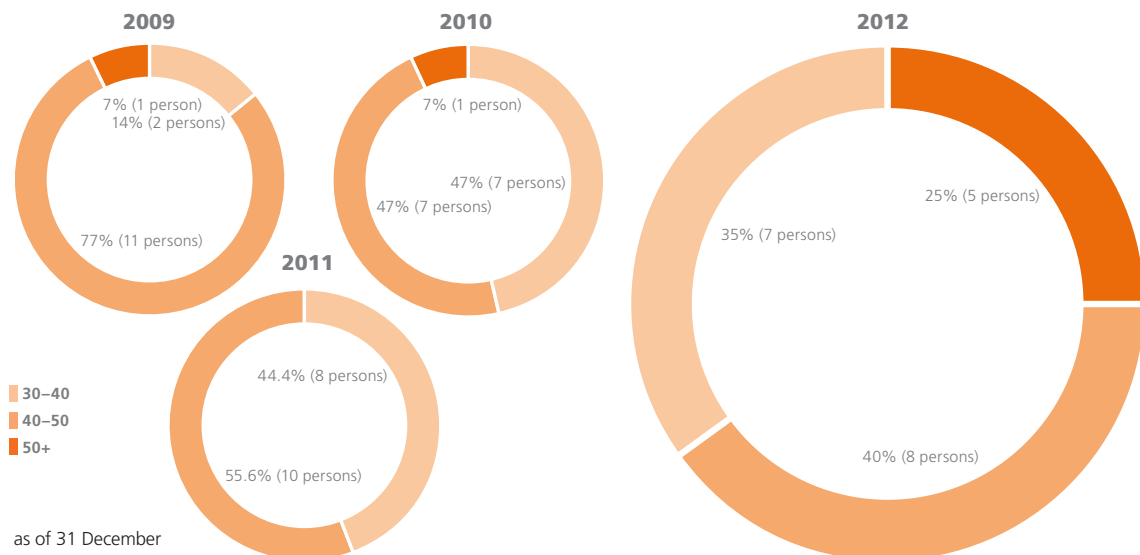
Data as of 31 December

¹ Due to changes in the regions, the data is not suitable for comparison with that of previous years.

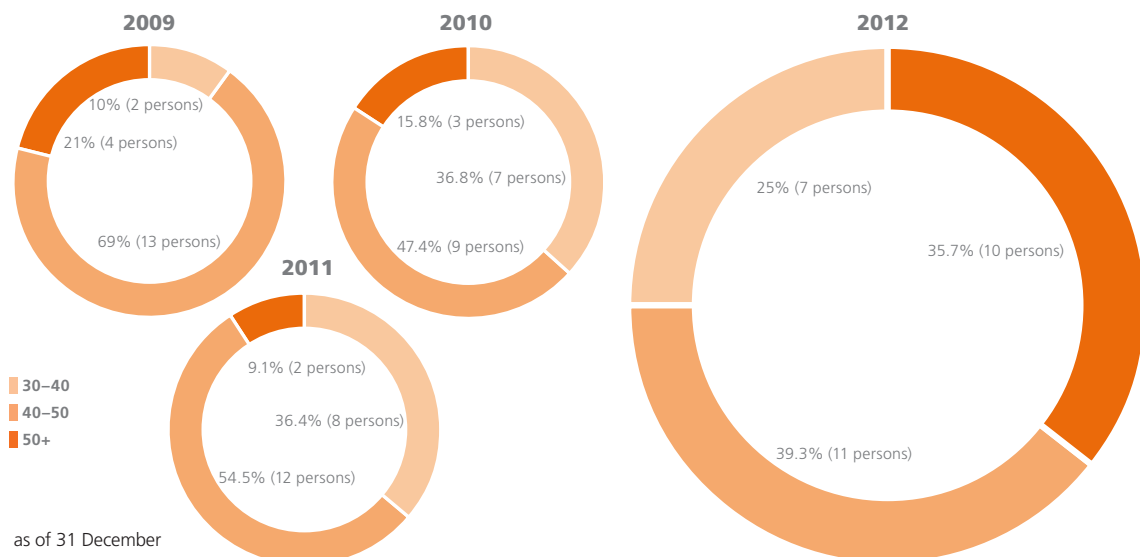
Composition of the Board of Directors by age group (percentage, number of persons)



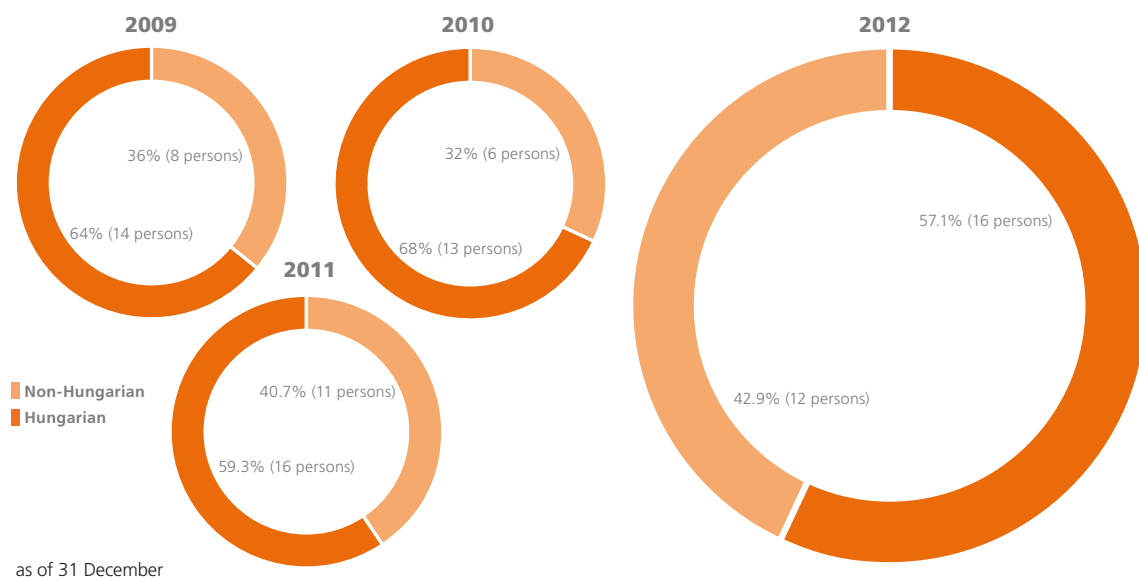
Composition of the Management Committee by age group (percentage, number of persons)



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



**Proportion of Hungarian citizens within the Board of Directors and the Management Committee
(%, persons, with executives that sit on both committees counted twice)¹**



The average monthly wage of career starters recruited by the bank in 2012 was **HUF 251 430**, or **270%** of the statutory minimum wage. In 2011 it was HUF 242 108, or 260% of the statutory minimum wage. The base for calculation is the annual statutory minimum wage for jobs requiring professional qualifications.

Average annual basic salary of men and women by professional category (HUF million)

	2008	2009	2010	2011	2012
Executive male	13.54	13.32	12.30	12.83	11.92
Executive female	11.89	12.44	10.63	10.36	10.32
Male specialist	7.08	7.22	7.66	7.75	7.69
Female specialist	6.91	6.93	7.03	7.03	6.91
Male subordinate	3.77	3.92	4.01	4.2	4.38
Female subordinate	3.35	3.46	3.47	3.52	3.65

Data as of 31 December

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

	2008	2009	2010	2011	2012
Number of workplace accidents	12	8	6	8	15
Number of working days lost	161	106	726	222	273

Data as of 31 December

Ratio of missed days by reason for absenteeism (%)²

	2008	2009	2010	2011	2012
Illness	28.4	26.7	26.2	17.9	16.58
Accident	0.2	0.1	0.1	0.1	0.2
Maternity leave	63.8	61.5	60.9	71.1	80.97
Other	7.6	11.7	12.8	10.9	2.25

Data as of 31 December

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

² As a proportion of total days worked

4.3.4.

Membership of associations

Hungarian Banking Association
 Hungarian SEPA Association
 Budapest Chamber of Commerce and Industry
 Italian Chamber of Commerce in Hungary
 British Chamber of Commerce in Hungary
 Hungarian Forex Association
 International Chamber of Commerce
 ACCA
 Hungarian Public Benefit Organisation of Internal Auditors
 ISACA Hungarian Association
 IIF
 Hungarian Advertising Association
 Advertising Self Regulatory Board
 Hungarian Leasing Association
 Association of Independent Insurance Brokers in Hungary
 Hungarian Factoring Association

4.4.

Awards and accolades

- **CSR Best Practice Award - exemplary project:** National Food Drive Day in conjunction with the Hungarian Food Bank Association – Hungarian Public Relations Association
- **Certified Call Centre** – GfK Hungary
- **Bank Card of the Year - CIB Café Credit Card** – Hungarian University of Fine Arts

4.5.

Compliance with the principles of the UN Global Compact

Global Compact principles	Our performance	Related GRI indicators
Human Rights		
1. Business should support and respect the protection of internationally proclaimed human rights.	<ul style="list-style-type: none"> • 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. • In the course of its operation the bank fully respects the Fundamental Law of Hungary and all other general domestic and international conventions on human rights and ethics. • We treat protecting the personal data of our customers as a key priority; we investigate complaints related to data handling, and take steps to reduce the number of complaints to a minimum. • We provide our employees with fair and satisfactory working conditions and pay, as well as a wide range of other benefits (see section 2.2). The average starting monthly wage is almost three times the statutory minimum wage. 	<ul style="list-style-type: none"> • 4.8 • EC5 • LA7, LA8, LA13, LA14 • PR8
2. Businesses should make sure they are not complicit in human rights abuses.	<ul style="list-style-type: none"> • In 2012 we continued with implementation of the Code of Ethics, and the Code of Conduct based thereon. One of the most important steps taken in-house in 2012 was the development of the rules of ethics procedures and boosting internal acceptance of the framework. • 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. • In 2012 we continued with the barrier-free conversion of bank branches, at several branches we launched the procedure to obtain the planning permission for such conversions, and we also carried on with the installation of easier-to-use ATMs. 	<ul style="list-style-type: none"> • 4.8 • HR6, HR7 • FS14
Labour		
3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<ul style="list-style-type: none"> • A trade union has been established to represent the interests of employees, which had 303 members at the end of 2012. 	<ul style="list-style-type: none"> • LA4
4. Business should eliminate all forms of forced and compulsory labour.	<ul style="list-style-type: none"> • The Bank abides by the laws of the country and the relevant passages of the Fundamental Law of Hungary. • We have made a commitment to protect human rights in accordance with the 1948 Universal Declaration on Human Rights. 	<ul style="list-style-type: none"> • HR7

- | | | |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| 5. Business should be effective in abolishing child labour. | <ul style="list-style-type: none"> • The Bank abides by the laws of the country and the relevant passages of the Fundamental Law of Hungary. | <ul style="list-style-type: none"> • HR6 |
| 6. Business should eliminate discrimination in employment and occupation. | <ul style="list-style-type: none"> • We declared in our Code of Ethics that we are committed to eliminating all forms of discrimination from our conduct and to respecting differences in gender, age, race, religion, political and trade-union alignment, and language, and to respecting the rights of those with disabilities. • Our organisation is willing to appoint physically disabled staff to certain positions. In 2012 a total of 20 persons with acquired disabilities worked at the CIB Group. • We place emphasis on achieving equality between the genders: the difference between men's and women's wages is considerably smaller than both the Hungarian and the European average. Our long-term objective is to fully comply with the principle of "equal pay for equal work". | <ul style="list-style-type: none"> • 4.8 • LA13, LA14 |

Environment

- | | | |
|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 7. Business should support a precautionary approach to environmental challenges. | <ul style="list-style-type: none"> • We aim to use all our resources sparingly. In this regard we promote conduct that is based on the best use of resources and on the avoidance of waste and ostentation. We give priority to solutions that have been designed with sustainability in mind. • In certain contracts we stipulate that in the course of fulfilling their obligations suppliers are obliged to use environmentally friendly technology, products and materials, and make efforts to recycle the waste that is generated. • We have launched numerous initiatives aimed at reducing energy and water consumption (for details, see section 2.5), including the installation of solar panels on the roofs of our central office buildings, in order to cut down on the use of non-renewable energy sources. | <ul style="list-style-type: none"> • EN8, EN18, EN26 • FS1 |
| 8. Business should undertake initiatives to promote greater environmental responsibility. | <ul style="list-style-type: none"> • We extended the opportunity for selective waste collection to two more of our central office buildings. • Also last year, on several occasions we held week-long internal communication campaigns related to environmental awareness topics. On every working day of the week we explored a different topic via the intranet, which is accessible via the internal network. The issues discussed spanned the most important questions related to paper use, energy consumption, environmentally aware transportation and waste management, and employees were also provided with useful advice and practical tips. | <ul style="list-style-type: none"> • EN5, EN18, EN26 |
| 9. Business should encourage the development and diffusion of environmentally friendly technologies. | <ul style="list-style-type: none"> • We endeavour to assume a role in the promotion of environmentally sound energy use, and for this reason we support such efforts and work of our colleagues and various civic organisations. | <ul style="list-style-type: none"> • EN5, EN18 |

Anti-corruption

- | | | |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| 10. Business should work against corruption in all its forms, including extortion and bribery | <ul style="list-style-type: none"> • The Bank abides by the laws of the country. • 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. • All employees of the CIB Group have received training in the prevention of money laundering and conflicts of interests, through the e-learning interface (MultiLearn) accessible via the internal network. | <ul style="list-style-type: none"> • 4.8 • SO3 |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|

GRI Index

Indicator	Brief description	Page number
1. Strategy and analysis		
1.1.	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	page 7
1.2.	Description of key impacts, risks, and opportunities	page 7
2. G3 profile disclosures		
2.1.	Name of the organisation	page 41
2.2.	Primary brands, products and/or services	page 10, 32, 43
2.3.	Operational structure of the organisation, including main divisions, operational companies, subsidiaries and joint ventures	page 41
2.4.	Location of the organisation's headquarters	page 57
2.5.	Countries where the organisation operates	page 41
2.6.	Nature and legal form of ownership	page 41
2.7.	Markets served	page 42
2.8.	Size of the reporting organisation: number of employees; net sales; total capitalisation broken down in terms of debt and equity; quantity of products manufactured, or value of services provided	pages 43–44
2.9.	Significant changes in size, structure or ownership, during the reporting period	page 56
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3. Report parameters		
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3.2.	Date of most recent report	page 56
3.3.	Reporting cycle	page 56
3.4.	Contact point for questions regarding the report or its content	page 57
3.5.	Process for defining report content	page 56
3.6.	Boundary of the report	page 56
3.7.	Presentation of any specific limitations on the scope or boundary of the report	page 56
3.8.	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	page 56
3.9.	Data measurement techniques and the bases of calculations	page 56
3.10.	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	page 56

3.11.	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	page 56
3.12.	GRI Content Index	pages 52–55
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4.11.	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	pages 36–37
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PR	Product responsibility	
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About this report

Reporting period:	calendar year 2012
Date of previous report:	June 2012 (GRI B)
Reporting cycle:	annual
GRI application level:	B

The report contains information regarding the CIB Group's organisational units and subsidiaries in Hungary. In all cases the data is group-level data, except where specifically stated otherwise. When determining the content of the report we drew heavily on the results of various consultations held with civil-society organisations during the year.

The focus remains on addressing the issue of the financial-economic crisis, and presenting our responses to the crisis and the changes in the bank's organisation. Besides this, we naturally also give an account of our long-term initiatives launched in the interests of ensuring sustainable operation from an economic, social and environmental perspective. We have made every effort to disclose all the key information necessary for assessing the extent of our corporate social responsibility. We paid particular attention to ensuring that the raw data, indicators and comparative tables presenting the changes over a three-year period are accompanied by explanations to assist in interpreting the figures, and where

possible we use case studies to illustrate the underlying factors related to data, decisions or objectives, and the reasons for changes. Our ownership structure and size have not changed significantly in comparison to the previous reporting period.

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

Contrary to our plans, in 2012 we did not seek external assurance for the report.

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

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