

Sustainability Report 2009



Our values



Integrity

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



Excellence

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



Transparency

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



Respect for specific qualities

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



Equality

We are committed to eliminating all forms of discrimination from our conduct and to respecting differences in gender, age, race, religion, political and tradeunion 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, and promote behaviour based on the best use of resources and the avoidance of waste and ostentation. We give priority to those solutions that take sustainability into account.

Key performance indicators of the CIB Group

	2008	2009
Number of customers	727 110	720 237
Number of employees	3 657	3 279
Percentage of female employees	66%	66%
CO ₂ emissions from energy consumption per employee	3.24 tons	3.18 tons
Energy consumption per employee	35.7 GJ	30.44 GJ
Total waste generated	29 688 kg	63 682 kg
Amount spent on supporting public-benefit organisations (CIB Foundation)	HUF 62.6 million	HUF 51.7 million
Total economic value distributed	HUF 85.029 billion	HUF 50.636 billion
Percentage of domestic suppliers	98.17%	98.11%
Number of trade union members	355 persons	311 persons

As of 31 December

Our most important commitments for 2009, and their fulfilment

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

- ● ● ● Fulfilled, project closed
- ● ● ● Mostly fulfilled, but project not yet closed
- ● ● ● Partially fulfilled, project closed
- ● ● ● Implementation has begun
- ● ● ● Implementation has not yet begun

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

Our commitments for 2010

COMMITMENT

Corporate governance

- Elaboration of a new, three-year CSR strategy
- Further improvements to group-level governance
- Incorporating sustainability considerations into the credit policy
- Further improvements to the new organisational model

For our employees

- Raising employee satisfaction
- Elaboration of a new, long-term education concept
- Elaboration of a CIB Nursery School Program
- Introduction of a new employee incentive and remuneration system
- Introduction of an employee suggestions scheme
- Maintenance of existing social benefits
- Increase in the number of employee training courses
- Introduction of international, intra-group sporting events and leisure programs

For our customers

- Further steps to alleviate the impacts of the crisis
- Barrier-free conversion of additional branches
- Installation of bicycle racks at five branches
- Creation of children's areas in more branches

For our suppliers

- Holding of a stakeholder forum
- Introduction of a new procurement policy and principles
- Integration of sustainability and ethical considerations into the supplier selection process

Community relations

- Review of the CIB Foundation's operation
- Determination of new directions for donation and sponsorship
- Establishment of a new tendering system
- Holding of a voluntary-work day
- Holding of charitable events, exhibitions

For our environment

- Introduction of a CIB bike-sharing scheme to promote environmentally friendly travel between our main offices in the capital
- Construction of more bicycle storage facilities
- Drafting of Travel Plans for the workplace and specific individuals
- Expanding the scope of selective waste disposal

Looking back on a year of challenges



This, the CIB Group's fourth sustainability report, has been compiled and approved in accordance with international guidelines. The report this year reflects a long-term, strategic approach, the basis for which is a harmonious balance between our business operations and long-term sustainability.

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.

For everyone, 2009 was an extremely tough year. The global economic crisis had a severe impact on the entire financial sector, and placed an exceptional burden on our clients. We had to work together to overcome countless obstacles, a process that often demanded painful choices. Yet the crisis has brought with it a unique opportunity: the chance to hold a fundamental review of our operations to date. This in turn prompted us to ask ourselves whether we were capable of taking advantage of this possibility, and rejuvenating the business at its core. My answer to this is unequivocal: yes, we were capable of rising to this challenge!

The top priority over the past year has been to reduce the many and complex negative impacts of the crisis. We successfully stabilised our own financial situation, and turned our attention to assisting those of our customers who had found themselves in difficulties, while at the same time significantly reducing our operating costs and streamlining our processes. While doing this we did not, however, neglect our long-term goals, as we forged ahead with programs designed to bring

about more responsible and sustainable operations within the bank. Against this background, our biggest challenge was therefore to ensure "damage limitation" while continuing to build for the long-term future.

Given the changes our market has experienced, we have had to identify the new opportunities that have arisen in order to further strengthen the banking group, thereby creating value for all our stakeholders. With this in mind, we have redefined the challenges of the period ahead, and adapted our vision of the future to bring it into line with the changing realities. Our mission 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 - reflected in our bottom line - that we create.

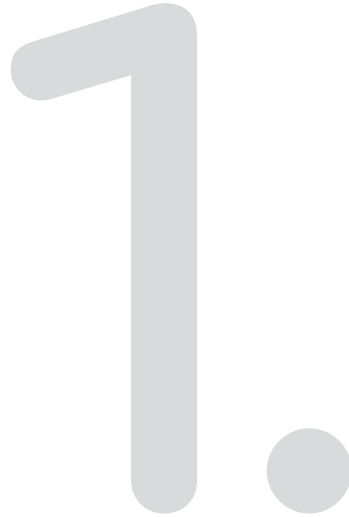
For us, becoming the "bank of choice" for our clients means being the first service provider that comes to the customer's mind when a financial need arises. The mainstay of this is trust. In turn, delivering genuine value means that we must be capable of achieving sustainable growth, as a fundamental principle underpinning our market presence. This involves maintaining a high level of risk awareness and reinforcing our sense of responsibility towards customers, and also entails the development and enhancement of our risk management capabilities. Our strategic objective for 2012 is to evolve into a well-differentiated, leading retail bank with strong micro-enterprise and SME divisions.

When compiling our Sustainability Report for last year, we applied a different set of criteria to that of previous years: We have included a new section detailing our responses to the crisis, followed by a description of the long-term initiatives we have launched, and our model for responsible corporate governance. The report is rounded off with an annex containing various charts, tables and supplementary information, for reference purposes. Please read through the report carefully, and share with us any thoughts and comments that you might have, so that by taking them into consideration we can perform even better in the year ahead, to the satisfaction and benefit of all our stakeholders.

Tomas Spurny
CEO

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The economic and financial crisis and its consequences

Since the economic and financial crisis was the defining event of 2009, and the one that generated the greatest public interest, in this year's sustainability report we have devoted a separate section to the effects of the crisis and the steps we have taken as a part of our efforts to counter its negative impacts. When compiling this document, we attempted to clearly define and differentiate those measures put in place to ease the effects of the crisis from those that were intended to exploit the new opportunities arising from it, and to further strengthen our long-term, responsible business model. The separation of these is important for the purpose of clearly explaining the logic of our operations, which served to define our approach to corporate social responsibility in past years: the CIB Group works to achieve sustainability in terms of its core operations (processes, products, services).

1.1. Effects of the crisis on CIB's business results

2009 was the toughest year, in recent times, for the whole of Hungarian society. It was the year in which the global economic and financial crisis that broke out in autumn 2008 really took hold. The performance of the Hungarian economy nosedived, tens of thousands of jobs were lost as companies were forced to shut down their operations, and the population's standard of living fell back to a level not experienced for years. Falls in the value of the forint caused problems for those repaying loans taken out in foreign currency, while property values fell substantially as the real estate market essentially ground to a halt. Furthermore, there was a public perception that the banks, and their impenetrable and irresponsible practices, were responsible for the crisis, and this drove confidence in financial institutions to an all-time low. In this climate, **the entire domestic financial sector was faced with huge challenges, and the CIB Group was no exception.**

The Group's operations in 2009 were severely impacted by the poor economic climate, high forint interest rates, and increased volatility in the government securities and currency markets. Despite this, even in this hostile economic environment, we succeeded in maintaining our market position, and **with total assets of HUF 2 757 billion we remain a leading player in the Hungarian bank sector.** The drop of more than 9% in assets was primarily due to a lack of demand for credit, which was also reflected in an almost 8% shrinkage in the net loan portfolio in comparison to the previous year. Despite this, the banking group's liquidity strengthened, and the loans-deposit ratio improved considerably.

The CIB Group's lending operations suffered as a result of the recessionary environment, as well as the general lack of demand. Despite this, the bank successfully maintained its second place in the market for customer loans, with a market share of over 11%. The Group closed 2009 with a gross loan portfolio of HUF 2 446 billion. Despite the unfavourable economic environment, the bank retained its prominent market positions in the areas of corporate lending (16% market share) and leasing (18% market share). The retail loan portfolio remained stable, although the volume of new disbursements fell considerably against previous years. The year 2009 was also characterised by strong competition for customer deposits, particularly in the retail sector. The Group launched a number of successful deposit-collection campaigns, leading to a HUF 179 billion (13%) growth in the volume of customer deposits. **The volume of retail deposits increased by a total of 11% over the year, with the result that CIB rose to second place in the market ranking.**

One of CIB's key goals in 2009 was to enter the retail insurance market, through its insurance brokerage firm CIB Broker. Within an extremely short space of time - with the conclusion of 28 000 new insurance policies - it acquired a 4% share of the market for compulsory third party liability insurance.

In addition, the CIB Group's parent company, **Intesa Sanpaolo, funded a EUR 150 million capital raise to ensure the continued fulfilment of CIB's strategic objectives**, and to reinforce its commitment to the region. At the same time, the CIB Group did not benefit from any form of government funding in 2009 (as was the case in 2007 and 2008). **The bank's capital adequacy ratio stands at 11%, which is considerably in excess of the statutory minimum.**

Distribution of income, from a stakeholder's perspective

From the standpoint of sustainable growth 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 who the organisation creates prosperity for its stakeholders. The total gross value generated is the difference between the total value generated (revenues) and the cost of goods purchased and services used (consumption). We performed the calculation of this data using the methodology applied by Intesa Sanpaolo. **From among the 2009 data we consider it important to highlight the dividend figure of zero, which reflects the owner's intention to reinvest its own share of the generated value in the country where it was created.** A breakdown of the economic value generated and distributed is given in the following table.

Generated and distributed economic value (HUF billion)

	2007	2008	2009
Total value generated (A)	192.441	269.148	270.125
Total consumption (B)	118.686	184.562	219.448
Gross value added from core business (A-B=C)	73.754	84.586	50.677
Revenue from the sale of fixed assets (D)	0.183	0.443	0.041
Total value generated (C+D=E)	73.937	85.029	50.636

	2007	2008	2009
Shareholders (dividend)	2.500	0	0
Employees (Salary)	27.232	34.614	30.356
State (direct and indirect taxes)	12.616	14.193	7.342
Third sector (donations and contributions)	0.272	0.564	0.869
Corporate sector (profit reserve and depreciation)	31.316	35.657	12.069
Total value distributed	73.937	85.029	50.636

For more information regarding the Bank's business results, see the 2009 Report on Business Operations and the Consolidated Financial Statements of which it is a part:

http://cib.hu/system/files/server?file=/Sajtoszoba/IFRS_eng_20091231.pdf&type=related

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

HUF billion	31 December 2008	31 December 2009
Total assets	3 041.2	2 757.2
Deposits from customers	1 381.2	1 560.1
Loans to customers (gross)	2 587.3	2 446.4
Operating revenues	142.8	142.1
Operating costs	68.1	61.2
Operating profit	40.3	9.6
Impairment and provisioning	34.3	71.3
Profit after tax	28.2	4.7

1.2. The impact of the crisis on customers

The crisis has had a severe impact on a sizeable proportion of the Hungarian population, including many of our customers, especially those who had taken out loans in previous years. The weakening of the forint exchange rate led to a substantial increase in the forint repayment instalments of foreign currency (Swiss franc and euro-based) loans. This in itself was detrimental to borrowers, but to compound the situation many also lost their jobs during these months, depriving them of the income from which they had paid the instalments until then. To make matters worse, at the same time they were faced with a situation in which the value of their property, serving as collateral for the loan, had also plummeted. The combined effect of these factors put some of these borrowers into an extremely tough situation, in which the spectre of losing their property also arose. Meanwhile, things were no better for customers who were

in need of credit, since the rise in the cost of funds led to a considerable increase in the cost of borrowing.

The crisis dealt a serious blow not only to households, but to businesses: falling demand, insolvent clients, burgeoning circular debt, a narrowing of export opportunities, market loss, halted investments, layoffs, bankruptcies.

Naturally, the shock to households and businesses also had repercussions for the financial sector in the form of substantially increased risks, defaults on loans by insolvent customers, a fall in consumption and economic activity, and limited lending opportunities as a result of the international money shortage. As households attempted to maintain their existing lifestyle by eating into their savings, demand for savings products also declined in the short term, which made it difficult to collect deposits. These factors combined led to a significant deterioration in our business outlook.

It was clear that mitigating the negative impacts of the crisis was in both our own and our customers' common

interest. Recognising this, at the end of 2008 we had already begun weighing up the opportunities, in order to take the necessary steps as quickly as possible. Since we aim to forge long-term relationships based on trust, the basic principle we followed was to help customers who were in difficulty through no fault of their own to weather the crisis, within the means at our disposal. Concurrently with this we began to assess our untapped reserves of efficiency, so as to make use of cost-cutting opportunities in our efforts to avoid losses.

In the following section – which has been further divided into subsections for clarity – we give a more detailed presentation of the various steps that we took in response to the crisis, and their results. The list also includes new products that offer a response to the changed market realities, and the altered requirements of customers. The CIB Group, as reflected in the principles it has consistently upheld in past years, works to achieve sustainability through its core operations, which means that its services and products should ensure sustainable development for its stakeholders, especially its customers and owner. We believe that the appropriate degree of balance can be ensured by implementing the steps and offering the services described in the following sections.

1.2.1. Initiatives to support our customers

Restructuring of loans

Among our retail customers, the greatest difficulties were experienced by those who, for some reason or other – e.g. an increase in the size of repayment instalments, or a decrease in their income – were unable to continue repaying their loan as before. For them we developed and launched the Retail Loan Restructuring Program, the aim of which was to help our customers who are struggling with difficulties to weather the crisis, through a rescheduling of their loan repayments. All the Bank's related specialist departments were involved in the work of this program, since developing the products and restructuring the loans had practical implementations for virtually every department. To date we have contacted almost 10 000 of our clients, 3 500 loans have already been rescheduled, and approximately 5 000 more are being reviewed. We have drawn up rescheduling terms not only for property-backed loans, but also for unsecured forms of credit (personal loan, credit card, shopping card, overdraft facility).

• Solution Loan

It was also our customers with loan repayment difficulties that we had in mind when developing our Solution Loan product, incorporating an "easing period" of lower repayments, which has also earned recognition from the industry in the form of the MasterCard "Retail Credit Product of the Year" award. With this solution the CIB Bank aims to

assist those of its customers with property-backed loans who, as a result of the economic crisis and changes in the exchange rates, are experiencing temporary difficulties in making their repayments. The main feature of the product is that we grant an "easing period", during which the borrower only needs to pay a part of the original monthly instalment. Payment of the principal and interest that has not been settled during this period takes place following the end of the easing period, spread over the remaining duration of the loan.

• Credit protection

Parallel to this, throughout the year we proactively marketed our credit protection service, aimed at reducing customers' risks, an opportunity which was taken up by almost 13 000 of our clients. Under this service the insurance company pays some of the instalments on the loan, or even the total loan, if the customer is prevented from doing so by an unforeseen incident.

• Extending the term of the loan

The monthly repayment instalment can also be reduced by extending the term of the loan. For this, it is also necessary to renew the notarised deed and amend the loan contract. The cost of the contract amendment is normally borne by the customer, but in order to ease the suddenly increased repayment burden, we have agreed to absorb this expense in the case of customers with foreign currency loans.

• Temporary easing of loan repayments

In order to temporarily ease loan repayments, the Bank offers the opportunity for customers to pay only the interest and administration charge for a short, temporary period, and recommence principal payments at a later juncture. This opportunity is only available in exceptional cases, and in the case of loans secured on real estate collateral. The restructuring of the payment terms is free-of-charge in this case, but does require a contract amendment and, at the same time, an amendment to the notarised deed.

• Conversion of foreign currency loans to HUF

The currency risk to which foreign currency borrowers are exposed can be eliminated if they convert their existing foreign currency loans to forint. When performing the conversion, CIB Bank waives the bank fees; in other words our customers do not have to pay the early repayment fee necessary for termination of the foreign currency loan, or the disbursement fee related to the new forint loan that replaces it.

• Processing of early repayment requests

The monthly repayment instalment decreases if customers use all or some of their savings to make an early repayment on their existing loan. The fees for doing so are specified in detail in our List of Terms and Conditions. CIB Bank allows early repayments to be made at any time throughout the term of the loan.

Developing financial skills

- For customers in difficulties due to a substantial increase in their monthly repayment instalment or an unfavourable change in their circumstances, we have published a handbook entitled "Solutions for Loan-Repayment Difficulties". The publication, which was handed out to customers in branches, offers guidance in choosing between the variety of financial solutions that represent a temporary easing of their situation, whether in relation to property-backed loans, vehicle leasing contracts, or even consumer credit cards.

Reassuring deposit-holders

- The crisis also gave rise to serious concern among our deposit-holders, in the midst of frequent media coverage of foreign banks that were either bankrupt or on the brink of insolvency. During this period, as part of a wider, regional campaign by Intesa Sanpaolo, we marketed our euro-based CIB Uno Deposit, which differed from standard fixed deposits in that it came with a repayment guarantee from our owner. This solution represented peace of mind for our customers, which was very important in that critical stage of the financial crisis. As a result of the promotional campaign almost 4 000 of our customers chose the CIB Uno Deposit, investing a total of approximately EUR 50 million.

Growing willingness to save

- One consequence of the crisis was that while the population's willingness to save initially declined, it subsequently became more important for customers to find savings opportunities that did not represent an undue burden on their monthly household budget, but which also potentially ensured a financial reserve in the long term. In response to these needs, at the end of the year we launched the CIB Piggy Bank Account, with the unconcealed aim of encouraging people to save on a regular basis. Within the space of a month we had opened more than 10 000 of these accounts, which shows that customers can be encouraged to save regularly even in today's tough financial environment.

Strengthening forint-based lending

- In October 2009 we launched the CIB FIX 3 Home Loan. Our aim with this product was to strengthen forint-based lending, a move that also mirrors the intentions of the National Bank of Hungary and the Ministry of Finance. In the period that has elapsed since the launch, we have arrived at a situation in which 75% of customers now enquire about forint loans, and subsequently choose this type of product, which entails no currency risk. The main advantages of this loan type are: simplicity, transparency, freedom from currency risk, and no change in the repayment instalments for three years. For this product we charge no administration fee, credit appraisal fee or contract conclusion fee.

Closer relationships with customers

- Sensing and sympathising with the difficulties experienced by our customers, we were keen to express our thanks to those on whom we could rely even in this difficult period. In 2009 we sent letters and SMS text messages to tens of thousands of our retail customers who kept up with their loan instalments, thanking them for paying regularly despite the crisis. We also expressed our appreciation with a small gift.

Code of Conduct for banks in Hungary

In September 2009, CIB Bank signed the Code of Conduct for banks as part of an initiative by Hungarian government, coordinated by the Hungarian Financial Supervisory Authority. The Code of Conduct is not a statute, but a voluntary undertaking, and applies to those financial service providers engaged in lending who have signed it. The Code of Conduct was drafted in response to the needs of consumers, and helps to engender a more predictable relationship between financial institutions and their customers. The Code of Conduct regulates the conduct displayed by banks towards their customers, and took effect on 1 December 2009. It is founded on three basic principles: transparency, normativity and symmetry. Transparency means that the terms of lending must be straightforward and comprehensible to the general public, and all necessary information must be made available to customers. Normativity means that signatories to the Code of Conduct always proceed in accordance with a predetermined set of rules. By the principle of symmetry, we mean that in the event of a change to external circumstances financial institutions cannot only alter interest rates and charges when this is disadvantageous to customers, but must also do so when the change is favourable for the customer.

The Code of Conduct covers five main areas of operation: the general rules of lending, the principles of conduct prior to concluding contracts, the rules governing unilateral contract amendments, managing customers with payment difficulties, and foreclosure. However, it only contains a few specific requirements. One of these is that if a customer is no longer paying the instalments and all other opportunities to arrive at a solution with the bank have been exhausted, the customer has 90 days in which to sell the property serving as collateral. This rule attempts to curtail practices under which properties were sold at auction for far less than their market value, thus putting the borrower in an even more difficult situation. Another important change is that after the administration fee and other charges may now only be raised once a year, in line with inflation.

1.2.2. Providing assistance to our business customers

Rapid assistance for endangered corporate customers

CIB Bank did everything in its power to quickly identify those companies that were struggling with financial difficulties as a result of the financial crisis. As part of this effort, we launched the **CIB SOS Project in June 2009. The goal of the project is to identify, as quickly as possible, those companies that are facing payment problems, where rapid intervention could prevent more serious issues from developing.** This gave rise to an opportunity for us to collaborate with the customer to jointly develop the bridging solutions that would allow them to continue their activities. Senior members of staff with considerable business experience were involved in the project, in order to ensure professional support for the development of more streamlined restructuring processes. We also defined a special set of documents, which serve to ease the process of decision-making regarding the restructuring process, besides which we drew up recommendations and a variety of restructuring alternatives for the business departments. In our experience to date, **we are the most successful in finding solutions that are beneficial for both parties in those cases where the bank has been quick to make contact with the customer.** In order to achieve this – based on predetermined screening criteria – we contact customers that are particularly “endangered” on an ongoing basis. **There is a variety of opportunities available for alleviating the difficult situation:**

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

In addition to the above, customers may be granted additional financing if justified. If necessary, the range of collateral securing the loans, and the contract documentation and the terms and conditions, must also be amended. The fundamental goal is to ensure that the repayment instal-

ments of the outstanding loan are commensurate with the actual ability of the client to make payments. Besides the recommendations listed above, we have attempted to find solutions to financing problems in the form of new and existing products.

Financing liquidity

One of the most common problems is the financing of liquidity. Since companies are **finding it more difficult than before to obtain working capital loans, the demand for factoring services has grown tangibly.** The differences between the terms and conditions of conventional bank loans and CIB Factor's products have decreased further, making the former, more structured financing form more attractive to businesses. This service – by allowing them to finance a much higher proportion of their customer receivables – can represent a considerable source of additional funding for our clients. In addition, CIB Factor has always offered its factoring solutions together with valuable supplementary services, such as the monitoring, insuring and recovery of receivables. Interest in insurance and collection services has increased notably as a result of the recession.

Further opportunities include EU and state-subsidised facilities, through which companies can access additional funds. The most important of these are as follows:

- The purpose of the Hungarian Development Bank investment loan, of which we have brokered almost 400, is to improve the competitiveness of the economy through investments that promote infrastructure and technology development;
- The Hungarian Development Bank working capital loan program provides favourable short-term financing for companies that lack the funds to expand their operations;
- State guarantees can be used to further alleviate funding shortages, and we have successfully incorporated them into a total of more than 500 transactions;
- As a part of European Investment Bank (EIB) loan programs we disbursed some EUR 265 million in the course of more than 80 transactions.

In the context of the restructuring program developed for micro-businesses experiencing difficulties, we introduced several new products and processes. **Since the launch of the program, we have successfully helped 210 micro-enterprises to weather the toughest period of the crisis.**

1.3. Boosting our operational efficiency

Restructuring our organisational model

The bank's management worked on a number of significant changes to the bank's business and operating model in 2009. **One of the key aspects of their work was the restructuring of the organisational model, with the purpose of developing a group-level organisation that was capable of operating efficiently and profitably in the changed economic environment, better serving the interests of stakeholders (clients, owners and employees) and remaining competitive in the domestic market.**

In this harsh economic and business environment, we need to keep a closer watch than ever before on our costs and the efficient use of the resources at our disposal. Besides this, we must place considerably more emphasis on risk management in order to minimise the losses arising from lending operations, as well as general operational risk. Over the course of 2009, we launched a comprehensive program to improve our operational efficiency. The program was given the title of **ORIGO** (Organisational Restructuring, InteGration and Optimisation). As part of this program, **we reviewed our processes, simplifying and rationalising them wherever possible.**

We also evaluated our costs with a view to identifying potential savings. The most difficult part of this was assessing the extent of human resources needed to execute the simplified processes and satisfy a level of demand that had been reduced by the economic crisis. As a result of the program, we **reduced our operating costs** by HUF 6.8 billion (10%) in the short term. The savings achieved enabled CIB to purchase several branches from a rival bank, with a view to extending its coverage of the market both in Budapest and the provinces. These branches opened in 2010. In addition to these short-term savings, we have launched a number of internal initiatives aimed at increasing cost-effectiveness in

the medium term. As a result, we succeeded in **improving the CIB Group's cost-income ratio from 48 per cent in 2008, to 43 per cent in 2009.**

For details of the program, see the separate articles on this page, while an explanation of the new operating model it brought about is given in the **Corporate Governance** section.

ORIGO program

The key objectives of the first phase (September-October 2009) of this complex program were as follows:

- establishing a new sales unit for small and medium-sized enterprises (SMEs);
- defining the terms of cooperation between the new SME division and the retail division;
- reviewing lending processes and developing new processes;
- reinforcing collection (work-out) activities through the establishment of a new organisational unit;
- implementing the organisational changes and personnel movements decided on in October;
- planning capacity in departments involved in the lending process.

By early November 2009, the participating departments had successfully completed the tasks defined in phase one of the program, allowing us to move on to the next stage. In the following phase we began implementing and regulations the developed concepts. In other words, we started putting our theories into practice in the following areas:

- introduction of new lending processes in February 2010;
- development and definition of parameters, and configuration of the IT systems necessary to support the lending process;
- carrying out the necessary structural changes, including the establishment and staffing of the Risk Middle Office;
- staffing of the restructured and expanded collection (Workout) unit, and establishment of new operating procedures and processes;
- review of the incentive system;
- organisational and operational integration of the Leasing subsidiaries, establishment of the conditions for doing so;
- capacity planning in further departments of the banking group;
- review of signatory rights and authorisations within the banking group;
- regulation of the use of the banking group's name;
- launch of a project for the standardisation of documents.

A tough decision: redundancies

After determining the staffing levels necessary in the new operating environments, **we took the decision to reduce the number of our employees.** This is always a painful decision, and the bank – empathising with the difficult position of the employees who had been made redundant – made every effort to proceed as sensitively as possible.

The first task of the Staff Council, formed in February 2009 was to negotiate with representatives of the employer regarding the announced group downsizing, as well as to participate in the internal communica-

tion of the planned steps, and the gaining of their acceptance by the employees.

For the employees concerned, we launched an **outplacement program**, the purpose of which is to support staff through what is for them a difficult period. Under the program, employees who have been made redundant receive careers advice and other services, such as legal advice, job-seeker and IT skills training. We also provide English-language training to help former staff develop the skills necessary to find a new job, helping them to start work again as soon as possible. For more information on measures introduced during the downsizing phase, see the separate article below.

Risk management

In 2009, the CIB Group, in order to strengthen its activities related to the restructuring and handling of problematic loans, **placed particular emphasis on reducing its lending risks and losses.** In the course of

the year we set aside HUF 71.3 billion to cover losses related to loans. Besides this, the bank also implemented organisational changes to improve efficiency ratios within individual loan portfolios and product categories. During the reporting period, **of the various products designed to ease repayment problems, we took further steps to encourage restructuring, combined with continuous reporting and follow-up monitoring.** Based on feedback received, we modified our processes and product parameters, and by continuously developing and reconfiguring the IT systems used in the restructuring process, we provided support for efficient working on the part of the staff involved in the restructuring.

Based on the planned, shared organisational and operation model applicable to the standardised bank and leasing claims management functions, the **Retail Collection group was established.** We have developed, and tested, and will soon launch the new collection system, while we have finalised and standardised processes in the area

Responsible staff downsizing

CIB Bank carried out those lay-offs that were unavoidable in 2009 in a considerate manner, in keeping with its policy of treating staff as partners in business. As a result of the economic crisis, the bank was compelled to rethink its financial, technical, material and human resources capacity. Consequently the banking group's management decided in March of last year to reduce the headcount by 8% (a total of 300 people), accompanying this with the launch of a program to modernise its organisational structure.

CIB began laying off employees on 6 April 2009, during three consecutive 30-day periods. During this time, it provided management and staff with ongoing HR support that went beyond its statutory obligations, such as the "EsErnyő" program. Within the scope of this, it paid an increased basic wage, depending on the length of service, to employees who had been compulsorily made redundant, and provided the full 2009 allowance of Cafeteria benefits. The "TámPont" (Support Centre) program was also launched, and was housed in the group's office building in Váci út. Here, the HR department elaborated a special outplacement program to assist former colleagues in difficulties. For instance, the bank helped former CIB employees re-enter the labour market by providing English-language and IT training, as well as a two-day course to support them in finding a new job. One third of the employees who had been made redundant took advantage of the opportunity.

The headcount reduction was followed by major organisational changes implemented in several stages: in April, June, August and October 2009; while the final phase was carried out in February 2010. Changes included integration of the subsidiaries into the bank, the restructuring of lending processes, the centralisation of finance and accounting, procurement and controlling processes, and, simplification of the organisational structure and the consolidation of smaller departments following the headcount reduction.

of collection, in the interests of improving the quality of our portfolio. The operating procedure pertaining to the collections function will be issued in the near future, and we have also developed a new reporting system. The Restructuring and Collection Program was completed on 15 February 2010, and the related tasks were reassigned to those areas (Product and Process Management, Retail Collection and the ORIGO program) that will perform these activities in the future.

1.4. Cost-cutting measures that reduce our environmental footprint

Based on the findings of a study of our operational efficiency, we drew up a number of **primarily cost-cutting proposals**, the implementation of which, in addition to simplifying and speeding up processes, **also serves to reduce our environmental footprint**.

- With the aim of not only making better use of the CIB Group's office space and reducing direct costs, but also raising energy efficiency, the employees of **CIB Leasing have been relocated to other central office buildings of the banking group**.
- In the second half of 2009, at group level, **we sold a total of 242 company cars issued to staff for personal use**, which has led to a reduction in our fuel consumption and harmful emissions. Due to the resulting increase in the use of privately owned vehicles, we cannot provide precise data regarding the extent of this reduction: the decrease in our direct environmental footprint was accompanied by an increase in the indirect burden, but we are unable to measure the net impact of these two factors.
- We introduced **electronic permission notes and pool-car request system**, which covers the full process of submitting requests for all HR and off-site work assignments. With this initiative we have **replaced the use of paper-based permission notes with an intranet-based system**.
- In the first half of 2009, in the first phase of the **KONCERT (Consolidated CIB Customer Notifications) Project**, we made preparations for the duplex (double-sided) printing of bank statements. Then, **from the second half of 2009, we made the switch to duplex printing**. As a result of this measure we succeeded in reducing printing and postal costs by a total of 40%, and a 12% reduction is expected in the quantity of paper used for printing; so besides the resulting cost saving our environmental footprint will also be reduced.
- In the interests of cutting printing costs and the related environmental burden, from the beginning of 2009 – depending on their position and seniority – most of **CIB Bank's employees are only authorised to print documents in black & white**.
- From 2 January 2009, **by default CIB Bank no longer sends printed bank statements to CIB employees**, which is expected to result in an annual cost saving of HUF 2.7 million, as well as reducing the burden on the environment.
- In the case of investment services, **daily performance sheets can now also be requested electronically**, which helps to cut paper usage, and thus reduce the strain on the environment.
- Since January 2009, **at the end of the working day we now shut down the water heating tanks in all CIB Bank's branch buildings**, a measure which, combined with an internal awareness-raising campaign regarding efficient energy use, will lead to further reductions in the electricity consumption of bank branches.



Long-term programs

Although the economic crisis lay in the focus of attention in 2009, life naturally did not come to a standstill. Since one of the main factors in the deepening of the crisis was a lack of confidence in the financial sector, the entire industry had to take assertive steps towards achieving greater transparency and responsible operation. At the CIB Group, our efforts to achieve sustainability are based on a long-term commitment, and thus in 2009 we launched several new initiatives and continued with previously commenced projects in this area, regardless of the impacts of the economic crisis. 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

Maintaining or regaining the trust of our customers – especially in a period as filled with uncertainty as 2009 was – is the most fundamental prerequisite for sustainable, profitable operation, both in the short and long term. Therefore, in addition to the steps we took to mitigate the impacts of the crisis, we focused particularly on providing our customers with a high-quality service. A part of this involved paying attention to their needs, providing appropriate and suitable information, listening to and investigating their comments and complaints, and maintaining two-way communication. It remains important for us to be capable of offering products and services that are suited to the needs of disadvantaged groups within society, thus affording them easier access to banking services. We also believe we have a mission, through the targeted provision of preferential services, to assist our customers – especially those in the young age group – in developing 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.)

Products for customers with special needs

- In 2009 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 August 2009 we ran a schooling assistance promotion** for schoolchildren and their parents, under which we helped them start the new school year with a cash contribution (HUF 5 000) and a pen-holder. As a part of this special offer we opened more than 2 600 'Szia Szimba' bank accounts. The **'Szia Szimba' program** provides an opportunity for children to learn about sensible saving in a fun and entertaining way. In autumn 2009 we ran a highly successful stand at a fair organised for senior citizens, where we promoted our dedicated account package and medical advice hotline, developed specifically with this group of customers in mind. **The success of our account package for senior citizens** is best illustrated by the fact that more than 13 000 people chose it last year. We provide our retiree customers with a current account overdraft facility at simplified terms, giving them the flexibility to deal with those unforeseen eventualities.
- **For our environmentally-conscious customers**, in 2007 we launched the CIB Alternative Energy Fund, which matures

in December 2010. The return on the fund is linked to the performance of the DAX Global Alternative Energy Index (DAXAEP), which tracks the performance of a basket of shares in the world's 15 largest renewable energy producers.

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.**

- **Pursuant to the statutory requirements, since May 2008 we only construct barrier-free branches and ATM lobbies.** At premises where entry is only possible via steps, we provide mobile ramps, or if there are several flights of stairs, a lift. In the first half of 2009 we continued our efforts to obtain construction permits for the conversion of branches that are not yet barrier-free, and are constantly working to find solutions for the barrier-free conversion of branches where planning restrictions and/or the characteristics of the building itself significantly impede the retro-fitting of accessibility solutions. **In 2008 we drafted plans for the barrier-free conversion of 30 branches. Fifteen of these branches have already been granted a permit for the conversion, and in the case of nine the application procedure is in progress, while six branches were refused a permit, and thus we halted the given project. At the end of 2009, a total of 95 of our branches were fully barrier-free, which amounts to roughly 63% of the overall branch network.** The main entrances to our central office buildings, and the bank branches housed within them, have also been made barrier-free.
- When installing new **cash dispensers**, instead of the formerly used S-shaped front panels, we now exclusively use ATMs that are fitted with flat, vertical fascias, making them easier for customers with physical disabilities to use. **Of the 221 ATMs that we operated at the end of 2009, a total of 191 had a flat front panel, while the remaining 20% are scheduled for conversion within the next 3-4 years.**
- In 2009 we launched an initiative with the aim of compiling a set of **special conduct guidelines, to assist customer service staff in dealing with customers who have congenital or acquired disabilities.** We had originally planned to complete the guidelines by the end of the year; however, we ran into difficulties identifying those civic organisations that are capable of providing practical assistance. As the year progressed, in collaboration with a civic organisation, we eventually began to examine the opportunities for developing an e-learning program, to help branch network and call centre staff assimilate the appropriate ways of dealing with custom-

ers who have intellectual disabilities. As a part of this project, 12 of our employees took part in a pilot training scheme, and based on the experience thus gained the course material is scheduled for completion in the second half of 2010.

- **By the end of 2009 the bank's branch network consisted of 151 units.** In 2009 we opened two new branches; however, in the interests of raising our operational efficiency we had to close three branches, while another was converted into a Corporate Banking Centre, and thus it ceased to have branch status. Of the 228 **ATMs** in operation at the beginning of the year, following the installation of three new machines and removal of ten units, **221** remained at the end of the year. The number of representative offices was 42 at the beginning of the year, and we closed the year with 24.
- Besides the removal of physical obstacles to make branches more accessible, we also placed particular emphasis on **keeping our online and e-banking services up to date.** In 2009 the number of active CIB Internet Bank users exceeded 300 000, and some 80% of transactions performed by retail banking customers were executed online, through the use of electronic banking services.
- In 2009 we participated in the **MasterCard Merchant Mentor Program**, the aim of which is to create new opportunities to pay by card, and to encourage bank card usage in towns and villages outside the capital, through the installation of card-reader terminals. During the year we installed 313 new terminals. Parallel to this initiative, we launched a campaign to promote bank card use among micro and small-enterprise customers, thereby **contributing to the development of a sophisticated financial culture, and helping to whiten the economy.**

Customer satisfaction and complaints management

In the first half of 2009, we expanded further on the **Listening 100% Program** launched in 2007, holding special promotions to encourage customers to complete the questionnaires that were made available in the branches and on the website. **In the course of 2009, the program became the standard means of measuring customer satisfaction, enabling us to canvass and analyse the opinions of a total of 12 000**

customers, thus providing us with a information of a substantial volume of statistically reliable and high-quality information. As part of the **Listening 100%** program, the results of this research were passed on to a variety of areas within the bank, from the orientation program (for new employees) through the senior management of the CIB Group. Due to the difficulties experienced as a result of the financial crisis, we consider effective internal communication of the program to be essential, and expect it to give rise to greater degree of customer focus. This goal is also served by the **incorporation of the results of the customer satisfaction survey into the performance assessment and incentive systems for branch staff.**

Results of the customer service survey

*The high customer satisfaction indicator recorded in 2008 fell back in the beginning of 2009, due to the effects of the recession. The decline in the indicator halted in the second quarter of 2009, and it **remained effectively unchanged in the second half of the year.** This statement is also true of our **loyalty indicator**, which moved in the same direction as the customer satisfaction indicator in 2009.*

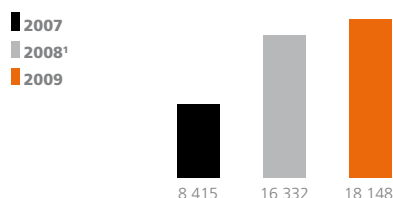
*It is a positive achievement that the "value for money" indicator, which displayed a sharp fall from the third quarter of 2008 onwards, had bottomed out by the third quarter of 2009, since when it has shown **significant growth.** This is important to us because – based on the indicators – our customers' satisfaction has increased in line with the quality of our products, in a reversal of the previously observed down-wards tendency. In parallel to this, however, we have also note from the results of the survey that our customers' expectations with regard to complaints management continue to decline, demonstrating that as a result of negative experiences of banking – especially related to loans and investments – our customers' trust in both our bank and the Hungarian bank sector as a whole has yet to be restored. **One of our goals in 2010 therefore is to restore this trust to the pre-crisis level. In the long term, we would like to increase the trust placed in us by our customers not only relation to complaints management, but also in terms of the solutions that we provide in response to customer requests.***

As a growing number of our customers share their opinions with us, the likelihood increases that the information obtained using the questionnaire will be relevant and reliably reflect our customers' attitudes. Building on the results of the program, **we have deployed new, targeted communication tools to raise our customers' awareness of the services that are most frequently used in the course of day-to-day living.** We have introduced a section entitled "Did you know...?" to the customer newsletter and the website, offering useful advice on how make more rational and effective use of our products and services. Drawing on the results of the **Listening 100%** survey, we have conducted many other, more targeted surveys to facilitate a more detailed analysis of areas for development, such as Internet banking for example.

Following the harmonisation of the **Listening 100% customer satisfaction program** with our complaints management strategy in 2008, in 2009 we continued to pay particular attention to complaints received by the CIB Group, and to restoring customer satisfaction. We did this not only in the context of the Listening 100% program, but also as a means of alleviating their difficulties arising from the economic crisis.

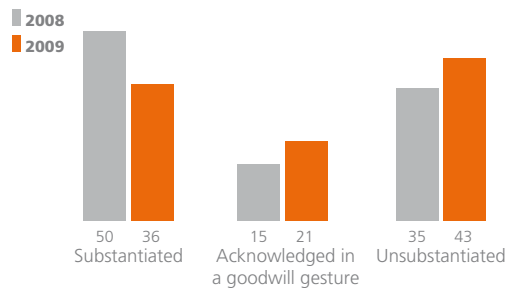
Throughout the year the number of complaints analysed by the bank's **Complaints Management department was higher** than that of 2008, which was to be expected given the effects of last year's economic crisis on our customers. At the same time, **we were successful in reducing the resolution period for complaints: in comparison to last year's average processing time of 10.6 days, we cut the complaint resolution period to just 7.92 days**, using standardised processes ordered by complaint type. We intend to maintain the results achieved in 2009, and keep the average complaints resolution period at this level in 2010. In line with our expectations, the number of complaints that come to our attention is rising: customer service staff now registering significantly more of the complaints they receive than in 2008, which also serves to explain the higher number of complaints registered. However, we did not increase capacity in the course of 2009, so **a further reduction in the processing time is not among our objectives**. A growing number of complaints can be responded to and resolved on the spot. **During 2009, we were able to improve the rate of on-the-spot problem resolution from 62% to 70%.** Our future objectives include achieving a **further improvement in this ratio**. In 2009, **the number of sub-stantiated complaints decreased, but the number of complaints acknowledged in a goodwill gesture rose**. This is a component of our strategy of offering solutions for clients with loan-related complaints in the wake of the economic crisis. We have enhanced our complaints handling process by making further improvements to our workflow system, rendering the identification and classification of complaints more accurate. In order to ensure the consistency of complaints handling, the CIB Group introduced the unified, group-level supervision of complaints management processes at each of its member companies from December 2009.

Number of complaints investigated by Complaints Management in the CIB Group

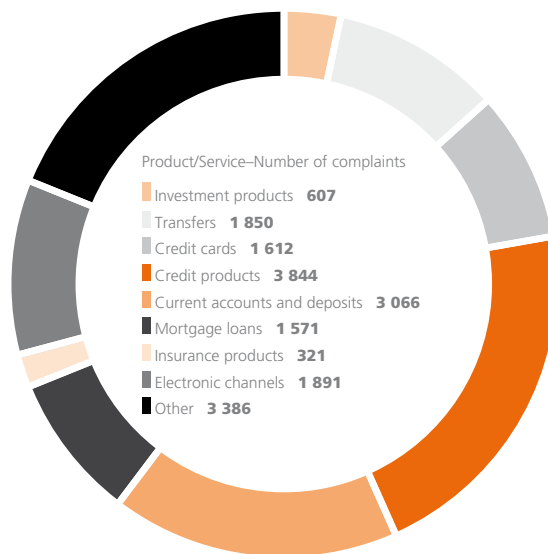


¹ Due to data correction, we have modified the 2008 figure from 16 335 to 16 332.

Findings of investigations into complaints in 2009 (%)²



Complaints by type of service in 2009



Complaints by type (%)



With respect to abuses of personal data a total of 21 complaints were received (in 2008: 15 complaints; in 2007: no data available), a significant proportion of which were related to use of the newsletter and SMS service.

² Data gathering in this breakdown only began in the second quarter of 2007.

2.2.

Employees

The year 2009 also brought a great deal of uncertainty into the lives of our employees. Under such circumstances there is a greater need for frank and sincere, two-way communication and the fair treatment of staff. An important objective was to maintain employees' remuneration levels despite the crisis, and to ensure that their extra efforts made for the good of the bank during this tough period do not go unrecognised. Without them, and their dedication and commitment, the crisis would undoubtedly have had a far more severe impact on the CIB Group. Our objective remains unchanged: to create the conditions necessary for ensuring sustainable and excellent working conditions for each and every one of our employees. (For supplementary data and tables related to the section below, see Annex 4.3.)

Benefits

To this end, in 2009 we took the following steps:

- Notwithstanding the financial crisis, on 1 October 2009 we implemented a wage raise for employees who taken on additional responsibilities.
- As a part of the **Érted (For You) program**, we continued to perform extended health screening both in branches and at the central office buildings. We provided **inoculation against H1N1 and seasonal influenza** in the central office buildings, and supported the inoculation of employees countrywide with a cost contribution. More than 500 of our staff took this opportunity.
- We amended our internal regulations on home loans granted to employees, to the effect that in the case of loans offered at preferential interest rates our staff now have access to **larger loan amounts**, and for longer periods.
- Representatives of the Staff Council, the Trade Union and the employers formed the **Social Committee**, with the purpose of establishing an organisational framework for the allocation of support requested by members of our employees (funeral assistance, social assistance).
- Based on a decision made by the management at the end of 2009, from 2010 the value of fringe benefits offered to full-time employees under the **Cafeteria system will rise from HUF 15 000 to HUF 17 500**, and the personal income

tax payable on this will also be paid by the banking group. Part-time employees are entitled to receive cafeteria benefits proportionately to their working hours, while agency staff become eligible for fringe benefits under the system once they have been in a working relationship with us for more than a year.

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

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

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

- In the second half of 2008 we introduced, as a fringe benefit, a scheme under which **we offer every employee the opportunity to take part in an extended health screening examination every two years.**
- Besides these, participation in all the periodical vocational and professional aptitude and fitness tests **prescribed by law naturally** continued to be compulsory for all of our staff in 2009.
- Managers above a certain level once again had the opportunity to attend an **annual "mini executive health screening"** in 2009.
- The **screening tasks** were performed by the Oxyvit medical group, which has provided occupational health services since 1994 and today has a countrywide network. The service package primarily offers assistance in the prevention and early diagnosis of cardiovascular and malignant diseases. The team screens for the risk factors associated with diseases, actively assisting in the development of a healthy lifestyle – advising on the appropriate diet and program of exercise – or, if necessary, in deciding on the most appropriate course of treatment.
- Since 2007 we have provided all our employees – through our partner insurance companies – with basic **life, accident and illness insurance cover**, which can be supplemented according to individual requirements.

"We are the Intesa Sanpaolo Group"

Our international banking group has launched countless initiatives and joint promotions serving to strengthen employees' sense of corporate community. To ensure unified internal communications and a consistent corporate culture, the **"We are the Intesa Sanpaolo Group"** concept was established, which brings together all companies within the group, from the parent company to the subsidiary banks, to form a single corporate community.

- **Core Values campaign:** One of the most important in-house initiatives in 2009 was the internal communication campaign held to promote the core values of the Intesa Sanpaolo Group. The six-month series of promotions involving all employees of the banking group gave a detailed introduction to our core values. In numerous events held with the aim of stimulating active participation and dialogue among staff, an opportunity also arose to introduce hitherto untried internal communications tools and channels for the first time.
- **Vacation opportunities:** The CIB Banking Group offers its employees, and, in certain cases, their family members discounted holidaying opportunities at destinations both in Hungary and abroad. With the help of our parent bank, 30 children enjoyed a trip to Follonica, Italy, while ten children attended the AC Milan football camp, and many families spent their summer holidays in Magione and Alassio in 2009.
- **International sporting events:** Last year the opportunity arose for employees of Intesa Sanpaolo member banks to compete with each other in a variety sports. In September 2009 the parent company organised a three-day football, volleyball and basketball tournament in Belgrade (in which three CIB teams, totalling 30 people, took part), and, thanks to Intesa Sanpaolo, we had the opportunity to take part in the European Banks Skiing Competition.
- **Secondary school exchange program:** AFS Intercultura is an international exchange program for secondary school students, which enables young people to spend an academic year living with a family in a foreign country. With the support of our parent bank, the child of one of our employees secured a place on the program, spending an entire year in Italy.

Training courses

We continue to stress the importance of employee training and the development of their professional and interpersonal skills. The average number of hours of training per employee grew from 32 to 48 hours, translating into an average of six-and-a-half days per year.

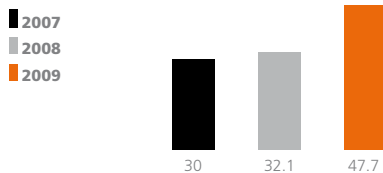
- **In 2009, the focus was on the internal training initiative, launched on 18 and 19 September as part of the Listening 100% customer satisfaction program.** Its purpose is to engender a culture of customer focus at all levels of the organisation. The courses were attended by employees from senior management to customer service staff. The training culminated in the drafting, by the participants, of action plans for each of

the bank's departments with a view to improving customer satisfaction. The program received strong internal communication support, ensuring the appropriate degree of awareness. Other results of this process include the elaboration of a scheme to elicit and reward the ideas and development proposals of employees.

- In the course of the year, **we completed the three-day management skills development training courses for 500 middle managers**, with a syllabus that had been developed based on the findings of the corporate culture survey and the senior management workshops. In addition, we held targeted skills development training for managers in time management, chairing meetings, and performance management. We also organised a separate three-day training session for CIB Leasing managers on effective management during the financial crisis.
- In addition to the above, the following are just a few examples of the more important training courses held for our staff:
 - We organised theoretical and practical **process management training** for process specialists both in the retail and corporate divisions, to prepare them for the implementation and application of the process management system.
 - We held a **three-day sales skills development course** based on the SME Sales Manual introduced in 2008. This was for the benefit of SME sales staff and was attended by 154 employees. Meanwhile, a total of 88 persons took part in the **two-day Targeted Development in Sales** management program.
 - The results of the Listening 100% questionnaires and mystery shopping survey formed the basis for an **advanced retail sales training course** carried out by our regional trainers for staff in the branch network.
 - The **retail loan restructuring program** received considerable training support.
 - Some 280 staff from the branch network took part in the training courses related to **new micro-lending products and processes**.
 - We completed the series of complaints handling training courses provided to **call centre staff**, in which 110 telephone operators and managers participated.
 - **The legal department provided training to 350 staff**, focusing on bankruptcy and liquidation procedures.
 - A total of 112 people participated in training on the stock market, for **personal bankers in the premium and private banking segment**.
 - 352 staff attended the training sessions on products and processes, in preparation for the Compulsory Third-Party Car Insurance campaign.
 - The orientation sessions held for **new employees** were attended by 169 members of staff in 2009.
 - In 2009, the CIB Group supported the development of its employees' English-language skills with three forms of training (group semester courses, intensive courses and one-on-one sessions). More than 400 staff participated in the courses, which were run by Katedra Language School.

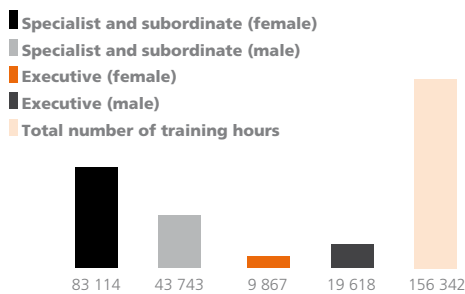
Besides the classroom training and courses listed above, all CIB Group employees have taken part in distance learning courses in the prevention of money laundering and conflicts of interest, via the e-learning (MultiLearn) interface. During the year, employees successfully passed 29 644 exams in 81 different subjects, with an average score of 89%.

Annual average number of training hours per employee

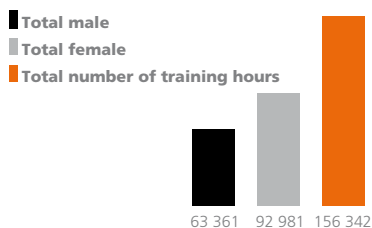


Based on headcount as at 31 December

Number of training hours broken down by professional status in 2009¹



Number of training hours by gender in 2009



Employee engagement

- In December 2009, we conducted an **internal employee satisfaction survey**, with questionnaires completed by staff at all the member banks of the Intesa Sanpaolo Group. The goal of the survey, which from now on will be repeated annually, was to gain direct feedback on the morale of our staff, and what they perceive as positive factors, difficulties and problem areas. We provide staff with detailed feedback regarding the results.
- Parallel to this, it has become an increasingly important goal of ours to **engage staff as fully as possible in the bank's social responsibility activities**. This

is manifested both in the sharing of information and the holding of internal educational communications campaigns, and in the active participation of employees in various initiatives. Among the latter, particular importance is ascribed to voluntary work undertaken by individual employees, which already has a strong tradition within the bank.

- We also aim to reinforce our employees' social sensitivity through organised **voluntary programs**. The Bátor Tábor Alapítvány (Camp of Courage Foundation), which organises therapeutic leisure activities for seriously and chronically ill children, gives employees the opportunity every year to visit the camp and perform voluntary work for a day. The volunteers participate in the renovation and development of the camp, as well as in the assembly of new equipment. On 25 April 2009, the CIB Group held its volunteer day at the camp for the third time. This year, almost 50 employees participated in the event, making a significant contribution to renovating the facilities, in order to further improve the environment that the camp offers for sick children and their carers. This year, they repaired the horses' stables and paddock, renovated a wooden bridge and storage area, and performed various other minor landscaping and gardening tasks. The CIB Group regards Bátor Tábor as a strategic partner, with which it collaborates on various levels: sponsorship, voluntary work, personal participation, and the occasional use of the site for HR training purposes. We are proud to have participated in the renovation of the camp. The volunteer day has become such a successful event that it serves not only as a socially responsible initiative, but also as a genuine motivational force for the employees that participate.
- We continuously informed our staff about the bank's long-term environmental strategy, and **drew their attention to the various ways in which the burden on the environment can be reduced, whether at home or at work**. In the second half of the year, we conducted two major internal communications campaigns focusing on environmental protection and energy efficiency. We published news, advice and suggestions on ways to reduce paper and electricity consumption. We also used this method to **promote the regular use of our newly installed PET bottle crushers**. Besides this, we recently launched a week-long intranet campaign to raise environmental awareness. As well as running the campaigns, we made contact with Energia Klub (Energy Club), a non-profit organisation supporting the development of energy-efficient households. The collaboration led to the publication of a booklet offering useful information on how to save energy.

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

- In addition to the environmental issues, we regularly report to our employees on the activities of the **CIB Foundation** and the non-profit organisations it supports, and also use these bulletins to recruit volunteers. This raises the commitment of our staff, and helps to promote our charitable work within the organisation. During the income tax declaration period, we launched an internal campaign to encourage our employees to donate the 1% of their income tax that can be pledged to a charitable cause, to the non-profit organisations and environmental, healthcare and cultural programs supported by the CIB Foundation. We would like our staff to identify with these causes and be proud of the Foundation's work.

ReCIBRock – the CIB band

Founder members: Olivér Tóth (Business Helpdesk, vocals), Gyula Senkeri (IT, drums), Gábor Nagy (IT, keyboards), Gergő Horváth (IT, bass guitar), István Kára (Controlling, guitar), Zoltán Kulcsár (Training, guitar).

Formation of the band: The band was formed after we advertised for musicians in the classified ads section of the CIB intranet.

Band leader: There is no designated leader of the band, which is a democratic group.

Performances: 19 February 2010: Millenáris Park, "Insurance" offsite party; 15 April 2010; Azúr Hotel, Siófok, offsite bank-wide management meeting
A selection of songs from their repertoire: Embertelen dal; Born to be wild; Question of time; Stray cut strut; Gyöngyhajú lány; Tainted love; Word up; Break on through; Knocking on heaven's door; Whiskey in the jar; Sky is over; Naked from a dalt; Billy Jean; Rebel yell

2.3.

Suppliers

The key principle when choosing suppliers is to display fairness and transparency in the selection process. This goal is served by the centralisation, within a single department, of the previously individually managed procurement functions. The organisational unit formed from the consolidation of Strategic IT Procurement, Strategic Procurement and Controlling, Central Procurement and Operative Procurement departments is now responsible for all of the CIB Group's procurements. In the second half of 2009, the new department developed the appropriate operational processes and drafted new regulations pertaining to procurements. In the CIB Group's procurement processes:

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

The new procurement process has resulted in a more transparent and objective selection system, which incorporates a standardised prequalifying and retrospective assessment procedure, and also requires compliance with the Code of Ethics. The system, introduced in March 2009 and rolled out incrementally to the various subsidiaries from June onwards, and which the bank previously only used for IT procurements, now enables monitoring of the processing times for procurement, as well as increases in the values of procurements, thus allowing

the efficiency of the procurement function to be evaluated. In addition, we introduced a necessity audit, to control any superfluous or excessive expenditures.

We also develop and evaluate our relationships with suppliers through an ongoing dialogue. In February 2009, we once again held our **annual IT Partners' Day**, which was a great success and provided us with an opportunity to discuss and debate the latest technology issues with the group's IT service providers. The forum was organised by the IT Management department, with the support of the IT Strategic Procurement department. **The objective of the Partners' Day is the sharing of information and fostering of direct personal contacts** with IT firms. For further details of the Partners' Day, see the article below.

Stakeholder engagement: IT Partners' Day

We invited 50 existing and ten prospective suppliers to our third Partners' Day, at which we gave a presentation of our main areas of collaboration, presented awards to our suppliers and, as in previous years, promoted our innovation forum. In the 90 minutes following the presentation, representatives of our partners were invited to participate in informal discussions on topics of their choice. Before leaving the event, the participants completed a feedback form on the usefulness of the forum, helping us to gauge its success. Besides this, we announced an ideas exchange at the Partners' Day, inviting all participants to submit innovative and creative ideas with which to achieve gains in our efficiency. We agreed to give the submitters of the best ideas an opportunity to present them to the heads of the IT or other affected departments, with the best initiative to be implemented within the group.

In the course of the year, **we began to audit our existing suppliers** and standardise payment terms. To this end, we compiled a list of suppliers and drew up an action plan for the rationalisation of our supplier base, which we plan to implement in the second half of 2010. Its objective is to screen suppliers considered in the course of the procurement procedure based on the prequalifying criteria, **enabling the creation of a reliable supplier database and simplifying the administration of tenders.** The Procurement department will record the prequalified suppliers in a "Prequalified Bidders" database. The Procurement department also notifies the supplier of the result of the prequalification. Prequalified suppliers must be reviewed annually by the Procurement department. If significant changes occur in the supplier's details, the Procurement department must be notified and the prequalification procedure repeated. **Also in 2010, we plan to introduce a contract management system; however, we have postponed until 2011 the implementation of a planned procurement website that would support online tendering.**

Number of suppliers by geographical location

	2007	2008	2009
Hungary	6 821	6 767	3 570
Europe	620	113	57
North America	45	12	9
Asia	0	1	1
Total	7 486	6 893	3 637

As of 31 December

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

	2007	2008	2009
Hungary	63 484	46 381	24 582
Europe	603	1 279	1 359
North America	1 387	362	457
Asia	0	0.81	1
Total	65 474	48 024	26 399

As of 31 December

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.

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

Professional organisations

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

our membership of organisations, with the result that by the end of the year we participated in the professional work of a total of 22 organisations. For a list of the organisations, see section 4.4.

Participation in financial education – local initiatives

Szeged – Tamás Gyurcsik, branch manager: "In December 2009 we began discussions with one of Szeged's two business-focused vocational secondary schools, regarding opportunities for collaboration. As a part of this we concluded a special bank account package agreement and talked about ways in which the bank and members of its staff can contribute to the life of the school. Following this, in January 2010, we continued our discussions, this time with the schools director overseeing other secondary schools with a similar profile. At these meetings, we further explored the opportunities for collaboration, and the idea arose to not only give talks in schools, but also to offer students the chance to visit a branch and become acquainted with the workings of a bank in practice, as well as in theory. The topics to be taught and the organisation of the branch visits are still being discussed. However, we think the visits would be possible during the first class of the day – before branches open for the day – enabling us to give students in in-sight into the workings of CIB Bank and the activities performed by its branch employees."

Kalocsa – Erzsébet Kozma, branch manager: "We need to think differently and a little in slightly more specific terms – something the success of my "Szia Szimba" drawing competition, held at branch level, has already demonstrated. The inhabitants of Kalocsa and the surrounding area are reluctant to change their old banking habits, and are difficult to activate. I would like to engage the over-50 age group with a "senior citizens" competition. In addition to the primary goal of increasing our customer base, I would like to raise awareness of the existence of the Kalocsa branch, and the benefits that it offers customer in terms of trust. We advertised the competition with posters in key locations, including doctor's waiting rooms, notice boards outside post offices, bus stops and the market square, as well as senior citizens' clubs and retirement homes, cultural centres, libraries and the premises of relevant associations. As a result of the competition, we succeeded in forging close relationships with three active senior citizens' clubs, signing an agreement with one of them pertaining to 50 new "Malacpersely" (Piggy Bank) account packages. During the period of the competition, interest in accounts aimed at senior citizens and sales of these products – primarily the "Plusz" variant – rose significantly. In my view, we have successfully taken the first steps in approaching a group that has always been difficult to engage and motivate."

Dunaújváros – Tünde Hegedűs, branch manager: "The Training Bank has been run at the Rudas Secondary School for Economics in Dunaújváros since 1995. In order to supplement their theoretical training in finance and economics and to demonstrate the practical uses of the skills they have acquired, in the context of "Training Office" sessions, students in years 11, 12 and 13 establish and run simulated enterprises. The Training Bank was set up to manage the banking transactions of these ventures. During these lessons, students open bank accounts in the names of their businesses and execute transactions through these accounts. Everything from the environment, the documentation used and the processes, serve to simulate, in simplified form, the operations of a real-life bank. Accounts are opened using a paper-based system; previously a simple computer program was in place for the booking of transactions."

Developing financial literacy

Developing the financial literacy of the Hungarian population is an important social objective. We believe this is a shared responsibility of all participants in the financial sector, and therefore the CIB Group has supported these efforts in the past and will continue to promote the initiatives of the Banking Association and other industry organisations and authorities in this area. Furthermore, we have taken numerous steps to raise the financial awareness of our own customers, including the publication of a handbook containing advice for customers who find themselves in financial difficulties, and a continuous broadening of the information available on the website. **To ensure that future generations of financial professionals receive a high-quality education, we also contributed a total of HUF 79 million in support for specialist training** at a range of educational institutions, including the (IBS) International Business School in Budapest, the Budapest Corvinus University, the Business Polytechnic secondary school, and the Rudas Secondary School for Economics in Dunaújváros.

Social engagement, Roma programs

As part of our redefined priorities with respect to our charitable activities, we aim to place a heightened emphasis on easing one of Hungary's most serious social problems, that of improving the living circumstances of groups suffering extreme poverty and exclusion, notably the Roma community. It was this commitment that the CIB Bank wished to demonstrate in October, when it provided a venue for the symposium entitled **"The Roma issue: a matter of social, economic and moral responsibility"**. We believe that the path to resolving important social problems lies in dialogue. By providing a venue for the half-day event, we created a forum for various representatives of the political community and society to exchange their views on the subject.

Another initiative aimed at improving the lives of Hungary's rural Roma is the **Roma Rural Development Project in Bódvalenke**, which the CIB Foundation has supported with

a donation of HUF 10 million. The severely disadvantaged village of Bódvalenke, at Hungary's northeastern-most point, is almost exclusively inhabited by Roma. Apart from public voluntary work schemes there are practically no job opportunities, and of the village's 210 inhabitants, only four families had registered workplaces at the launch of the program. The annual budget of the village is HUF 30 million, most of which is spent on maintaining the mayor's office and benefit payments, leaving nothing to spare for development projects. There is no kindergarten or doctor's surgery in the village, and only 2% of households had mains water at the start of the project. For more details of the program, and its impact on the village, see the article below.

Bódvalenke – Fresco Village

As part of a rural development project financed from charitable donations, the village of Bódvalenke is attempting to break out of extreme poverty through the hard work of its inhabitants. The objective of the three-phase project is to revitalise the village, develop the community and generate jobs by promoting local tourism (the village is situated close to the Aggtelek stalactite caves). One of the project's main goals is to transform Bódvalenke into a well known centre for gypsy culture and folk art within the space of a few years. Donations received as part of the project are also used to launch micro-enterprises. The project organisers provide the businesses with organisational advice, while also placing orders with them. The total financing requirement of the project is HUF 80 million. In the first phase of the project, work began on implementing the most basic infrastructure developments (cleaning of drainage ditches, renovation of houses, landscaping of public areas, and the establishment of parking spaces for tourist buses), as well as on decorating the 15 houses in the village with the artwork of Gypsy artists.

By the end of 2009, nine monumental works had been completed; many of which are worthy additions to the Hungarian fine-arts landscape. The project continues in 2010, and Gypsy fine artists are now being invited from all over Europe to help create a giant open-air exhibition of Roma painting unmatched anywhere else in Europe. Besides the painting, various sub-projects spanning virtually all aspects of life are also under way. Five families have been moved out of extremely squalid houses built on marshland and into liveable homes; teaching takes place in the community building (equipped with climatic technology), which was completed in spring 2010; and, if sufficient funds are available, a campsite, a small restaurant, carpentry workshop, sewing workshop and mushroom-drying facility will also be constructed. In conjunction with the Aggtelek National Park, a nature trail will be created in the beautiful marshland surrounding the village.

Civic engagement

In our relationships with representatives of the third sector, too, we remain persistent in our efforts ensure that the social causes supported by the bank group generate the greatest possible value for all stakeholders.

At the end of 2005, as a part of its civic engagement initiative, the CIB Group established the **CIB Foundation**, which supports public-benefit projects through donation. **Over the past four years the foundation's board of trustees has allocated some HUF 225 million in donations, which funded the implementation of 65 individual projects.** Working together with carefully selected partners, our banking group has contributed to the realisation of projects that represent considerable value to society, including a strategic partnership in the true sense of the word, forged with the Bátor Tábor (Camp of Courage) Foundation.

2010 brought a change to the causes supported by the foundation. Detailed information for interested parties and those who would like to apply for support is available on the CIB Foundation's website (www.cibalapitvany.hu). A detailed account of the foundation's operations is given later, in a separate article.

Bátrak színes világa (Colourful world of the courageous): besides facilitating social integration, the CIB Group remains an active supporter of culture. We sponsored the exhibition entitled "The Artist's House" at the Hungarian National Gallery, as well as the Budapest Art Fair. Hungary's largest, four-day

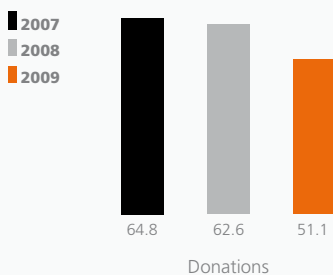
Social solidarity: the CIB Foundation in 2009

Working together with carefully selected partners, the CIB Foundation has contributed to the realisation of projects that represent considerable value to society, such as the genuine strategic partnership forged with the Bátor Tábor (Camp of Courage) Foundation. 2010 has brought a change in the causes supported by the foundation. In a departure from the policies applied to date, in the context of three new tendering systems, the board of trustees will give priority to supporting causes that serve to alleviate the problems of social groups who are disadvantaged from a social or healthcare perspective, and projects that serve to protect our cultural heritage. Accordingly, at the November meeting of the board of trustees a decision was made to grant the Camp of Courage HUF 20 million in support for the financing of various development projects; but at the same time we did not renew our cooperation with the folk-music department of the Academy of Music. In the period ahead – based on this decision by the board of trustees – we will seek new initiatives to support that are in keeping with the new direction, and which represent true value for society; and we will expand the number of our strategic partners.

Beneficiaries of the CIB Foundation in 2009

- Foundation for the Museum of Fine Arts and the Hungarian National Gallery
- Autism Help Centre
- Bátor Tábor (Camp of Courage) Foundation
- Spiritual Rehabilitation Home for Patients with Malignant Disease
- Foundation for Healthy Towns and Villages
- Egy csepp figyelem (A Drop of Care) Foundation
- "Genie Oblige" Foundation for the Academy of Music
- Energy Club Environmental Protection Association
- European Workshop Company
- Children's Habilitation Foundation
- István Gyulai and Gyula Zsivótzky Foundation for Hungarian Athletics
- Morning Star Foundation
- Early Intervention Centre Foundation
- Gábor Kovács Artistic Foundation
- Hungarian Cyclists' Club
- Hungarian Red Cross
- Pannonhalma Abbey Foundation
- Radnóti Theatre
- László Batthyány Home for Blind Children
- Windland Music Foundation

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



antique and contemporary arts show, held in November 2009, turned into a prestigious charitable event. During the event, the organisers put up for auction a number of works created specially at the four-day event by contemporary fine artists and seriously ill children. At the auction, the CIB Foundation bid a total of HUF 1.2 million for three pictures. An exhibition of the pictures created during the four-day event was held at CIB's head office in Medve utca, in April-May 2010.

Local and international solidarity

In 2010 the CIB Group, in response to the situation arising from the **natural disasters** of the past year, plans to develop a solution for the rapid and efficient collection of donations by selected NGOs, free of bank charges.

Charitable giving

As a part of its commitment to showing solidarity with social causes, in 2009 the CIB Group once again ran its successful **equipment donation scheme**, under which it donated the out-of-use office furniture equipment stored in its warehouse to public-benefit organisations. This year two rounds of applications were invited from organisations wishing to

receive furniture. In the first round the bank offered up used furniture that had become surplus to requirements as a result of the recent merger with Inter-Európa Bank. As a result of the scheme, 24 public-benefit organisations received 512 items of furniture free of charge, and two safes were also donated. Later in the year we ran another furniture donation scheme, and according to year-end data (with applicants judged on their limited financial means, the importance of the work they perform, and their particular requirements) a total of 38 organisations received 796 items of furniture, while a further 22 organisations were given 463 items of IT equipment in 2009.

At the end of the year we decided to **donate the money set aside for Christmas gifts to clients – supplemented considerably, to a total of HUF 15 million – to charitable causes**. As a result of this decision – of which we informed our customers through a variety of channels – we provided HUF 10 million in assistance for the Heim Pál Children's Hospital, HUF 2.5 million for the Hungarian Clown Doctors' Foundation, while another HUF 2.5 million went to the Wonderlamp Foundation, which grants the wishes of sick children.

2.5.

Managing our environmental impacts in 2009

There is a growing body of evidence to suggest that the impacts of man-made climate change can only be mitigated through immediate and assertive action. Halting the destruction of our natural environment is a responsibility that we all share.

The CIB Group has for many years placed particular emphasis on the environmental awareness of its operations, and wishes to set an example in the Hungarian bank sector. Through internal attitude-shaping campaigns we impress upon our employees the importance of environmental awareness, promote cycling as an ecologically friendly means of transport

and make efforts to reduce the environmental footprint of our products, services and internal processes; and we have set ourselves the clear objective of demanding environmentally conscious operation on the part of our suppliers and business partners.

- **Owing to our energy-saving initiatives – as well as the mild winter of 2009 – our natural gas energy consumption decreased substantially in comparison to 2008**, as did most of the energy consumption indicators. The considerable fall in vehicle fuel consumption was due to the fact that, as a part of the cost-cutting measures implemented during the year, we significantly reduced the size of our company car fleet.
- **The increase in the quantity of paper use was primarily due to a change in the scope of the data gathered, which enables us to monitor our paper consumption with a greater degree of accuracy than before.** While in 2007 and 2008 we only measured the quantity of photocopier paper used, the 2009 figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead. We are also constantly working to **increase the ratio of recycled paper that we use, which in 2009 amounted to 56 299 kilograms, representing 15.9% of our total paper usage.**

	U. of m.	2007	2008	2009
Total energy consumption	GJ	101 730	131 696	112 883
Electricity consumption [p1]	kWh	14 472 439	20 162 303	18 755 237
Other renewable energy [p2]	kWh	73 000	115 189	111 969
Natural gas consumption [p3]	m ³	854 649	1 053 435	893 833
Vehicle fuel consumption [p4]	l	646 967	728 890	464 199
Water consumption	m ³	28 502	30 295	28 149
Vehicle fleet	number of vehicles	391	450	206
Paper usage (office A4, A3)	kg	168 432	238 896	235 131
Paper usage ¹ (office A4, A3 other)	kg			329 572
Paper usage per employee (office A4, A3)	kg/person	54.9	64.8	71.7
Paper usage per employee ² (office A4, A3 other)	kg/person			100.5
Energy consumption per employee	GJ/person	33.14	35.7	34.43
Energy consumption per m ² of office space ³	GJ/m ²	1.15	1.21	1.17
CO ₂ emissions resulting from energy consumption ⁴ [p5]	t	9 082	10 882	10 427
CO ₂ emissions from energy consumption per employee	t/person	2.96	3.24	3.18
Water consumption per employee	m ³ /person	9.3	8.21	8.58

¹ For reasons related to data collection, the 2007-2008 annual data only includes the quantity of photocopier paper used. The 2009 figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead.

² For reasons related to data collection, the 2007-2008 annual data only includes the quantity of photocopier paper used. The 2009 figures also include the quantity of marketing leaflets, newsletters, envelopes, forms, transaction slips and letterhead.

³ 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.

⁴ CO₂ emission has been calculated based on change rates set by the Budapest University of Technologies and Economics: in case of electricity 401 kg/kWh, natural gas 1.9739 kg/m³, fuel (gasoline, diesel) 2.46 kg/l.

- CIB Bank also **put serious effort into ensuring sensible and efficient energy use in relation to hot water supply.** The solar collectors installed on the roofs of the office building in Petrezselyem utca, and the main building and the small office building in Medve utca, as well as the CIB24 building, provide hot water to the four central office buildings. In 2009 the solar panels saved 12 180 m³ of natural gas, which is equivalent to the annual gas consumption of 2-3 average detached houses.¹

- In the interests of reducing paper usage, **“green” duplex (double-sided) printing** is used as the default setting in 118 branches of CIB Bank. This system will also be shortly introduced at the central offices.

Greenhouse gas emissions avoided

	2007	2008	2009
tonnes, as carbon-dioxide equivalent ²	15.2	22	24

Shaping attitudes

- We consider it important to encourage our stakeholders to share our commitment to the environment. In February 2009, both in the branches and in the central office building, we affixed **“Switch me off if you’re not using me!”** stickers to electrical equipment (printers, computers, monitors, coffee makers), to remind our employees that we can all contribute to sustainable development by making more efficient and economical use of energy.
- Also last year, on several occasions, we held week-long **internal communication campaigns** related to environmental issues. 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.
- As a partner organisation of CSR Europe, the KÖVET Association for Sustainable Economies – of which the bank is also a member – organised the First Hungarian **CSR Marketplace** on 14 May 2009. The event gave companies an opportunity to share solutions to CSR business challenges in an informal, exchange-driven and creative environment. CIB Bank also presented two of its initiatives at the event, enabling those who attended to learn more about the solar panels fitted to our central office buildings in Budapest, and our scheme to promote travelling to work by bicycle.
- In another initiative aimed at encouraging an energy-saving approach, CIB supported the Energy Club’s **“Household Energy Label”** scheme, which highlights the importance of energy-efficiency certification for homes, specifically through the creation of a publication devoted to energy efficiency.

Transportation

CIB Bank is committed to putting in place, for all employees, the conditions necessary for travelling to work by bicycle. As the culmination of several years’ work, we have **put in place the basic infrastructure for cycling to work:** guarded bicycle storage racks, shower facilities and changing lockers now enable the almost 2 300 employees working at CIB Bank’s central offices to choose an environmentally-sound and healthy means of travelling between their home and work.

- In 2009 we further increased the number of bicycle storage facilities in the office buildings in Petrezselyem utca and Szabadság tér, with the result that **a total of 74 bicycle parking spaces** are now available at our central office buildings in Budapest, together with the necessary changing rooms and shower facilities. In the course of the year we installed additional cloakroom lockers at our office buildings in Szabadság tér (4) and Petrezselyem utca (18), for the use of employees who cycle to work.
- **We have begun the preparations for installing bicycle storage facilities in front of 40 branches in Budapest and the provinces. (The planning stage has been completed.)** In consultation with experts from the Hungarian Cyclists’ Club, we have perfected the construction plans for the racks, which have been approved by the local authorities in the towns affected. **In 2009 we installed new bicycle racks in front of five branches**, located in the following towns: Érd (branch no 1), Sopron, Hódmezővásárhely, Dunakeszi and Monor. The bicycle racks will ensure the basic conditions for travel by bicycle, for employees and customers alike.
- In spring, and again in autumn, CIB Bank took part in the **“Bike to work!” campaign**, which aims to promote cycling as a day-to-day means of transport, especially as an alternative to individual car use, which is known to be the most damaging from an environmental perspective. As a part of the spring **“Bike to Work!”** campaign, 45 of our employees pedalled a total of 3 846 kilometres, thus **relieving their environment of 715 kg of carbon dioxide emissions.** In autumn, although no longer as an official sponsor, we achieved similar results again.

¹ If we generated the same electricity production by using natural gas (1 m³ gas=9.5kWh).

² Change rate: 1.9739 kg/m³

- In the course of 2009 we embarked on an exciting new project with Studio Metropolitana. The purpose of this partnership was to draw up the bank's **Workplace Travel Plan**. The purpose of the plan is to use a variety of measures to reduce the proportion and incidental costs of travel by car, as well as the environmental burden arising from excessive car use. The drafting of the plan is supported under the European Union's Intelligent Energy program, and the project's coordinators in Hungary were Studio Metropolitana and the Hungarian Cyclists' Club. As a part of the program, in February 2010 the CIB Group used a questionnaire to assess the transportation habits of employees in the central offices. Based on the results of the questionnaire-based survey, not only is a summary evaluation being prepared for CIB, but every employee will receive an individual travel to work plan in the course of the year, which presents the reasonable transportation alternatives and offers assistance in planning a better route to work. The ultimate objective of the initiative is to reduce the environmental impacts arising from the inefficient use of transport, at both individual and company level.

Development of services

- Even the production of simple post office payment cheques places a huge burden on the environment. Manufacturing the invoice letters of CIB Leasing required almost five tons of trees, more than 800 m³ of water and 19 000 kWh of energy every month. Our commitment to environmental protection is a key dimension of our responsible operation. The CIB Leasing Group's electronic invoice administration system attempts to remedy the situation, as e-billing entails no paper use and thus places no undue strain on the environment. Since its introduction last year, by the end of the year some 492 customers had chosen this option.
- Another of our initiatives was launched in connection with customer notification. In the course of the KONCERT (Consolidate CIB Customer Notification) project, we analyse the feasibility of ideas which, besides reducing our environmental footprint, will raise the satisfaction of our customers, as well resulting in cost savings. We are examining the possibility of replacing the current paper-based bank statements and leasing invoices with electronic ones (e.g. in the form of an SMS message), and the sending of these in image form to customers. We are reviewing the content of customer notifications in order to identify the paper-saving opportunities inherent in the use of briefer and more concise text. We will give an account of the results in the next CSR report.
- In the case of statements sent to the customers of CIB Bank, the leaflets used for marketing purposes (newsletters enclosed with statements) are made from **recycled paper**; the number of these in 2009 was close to 5.6 million. The envelopes used for internal postage consignments are also made from recycled paper, and a single envelope can be used several times. **In 2009 we sent 36 500 of these to the branch network.**

Responsible Waste management, with benefits for society

- The CIB Group took another towards environmentally sustainable operation when it concluded an agreement with the Hungarian Maltese Charity Service regarding the **removal and reprocessing of electronic waste**. The Charity Service has created the first electronic waste processing site to be licensed by the environmental authorities, in the small town of Tarnabod, which is both socially and economically disadvantaged. The facility, which is run as a social enterprise, has a maximum capacity of 600 tonnes per year, and besides achieving important environmental objectives it also creates jobs for disadvantaged groups within society. **In 2009 the CIB Group had 6 300 kg of electronic waste transported to the site.**
- We continue to provide an opportunity to **dispose of dry cells, which are classified as hazardous waste**, at collection receptacles located in our central offices buildings and the CIB24 customer service area. **The weight of dry cells collected in 2009 rose to 745 kg, from the 365 kg of the previous year.**
- Companies can generate a great many confidential documents. After being **destroyed** in-house or by an external service provider, these can go to the paper factory as a secondary raw material. At present, we operate a high-capacity document shredding and baling facility on level -2 of the head office in Petrezselyem utca. Some of the branches send their office paper waste to an external service provider for destruction, while collection bins, some of which are placed in corridors, are situated in the central buildings. This paper waste is shredded in-house and deposited at the appropriate waste collection sites by us. **In 2009 we deposited 25 640 kg of paper for recycling, from which 23 000 kg of recycled paper was made.**

Quantity of waste generated by type (kg)

	2007	2008	2009
Paper	13 700	23 840	52 140
Packaging materials (paper, cardboard and plastic)	1 160	1 000	2 220
Office machinery	1 700	2 960	6 300
Hazardous waste	900	1 523	1 175
<i>Used dry cells</i>	<i>100</i>	<i>365</i>	<i>745</i>
<i>Waste that is damaging to the ozone layer (e.g. refrigerators)</i>	<i>800</i>	<i>1 158</i>	<i>430</i>
Other	0	365	1 847
Total	17 460	29 688	63 682

At the end of 2009 we cleared out the local document archive in the basement of the office building in Medve utca. The documents that were earmarked for scrapping and that had reached the end of their archiving period were shredded and delivered to companies engaged in the purchase of waste paper. It was this considerable quantity of paper waste that caused the increase in comparison to 2008. Scrapping was also the reason for the rise in the volume of waste packaging material and office equipment.

Environmental aspects of procurements

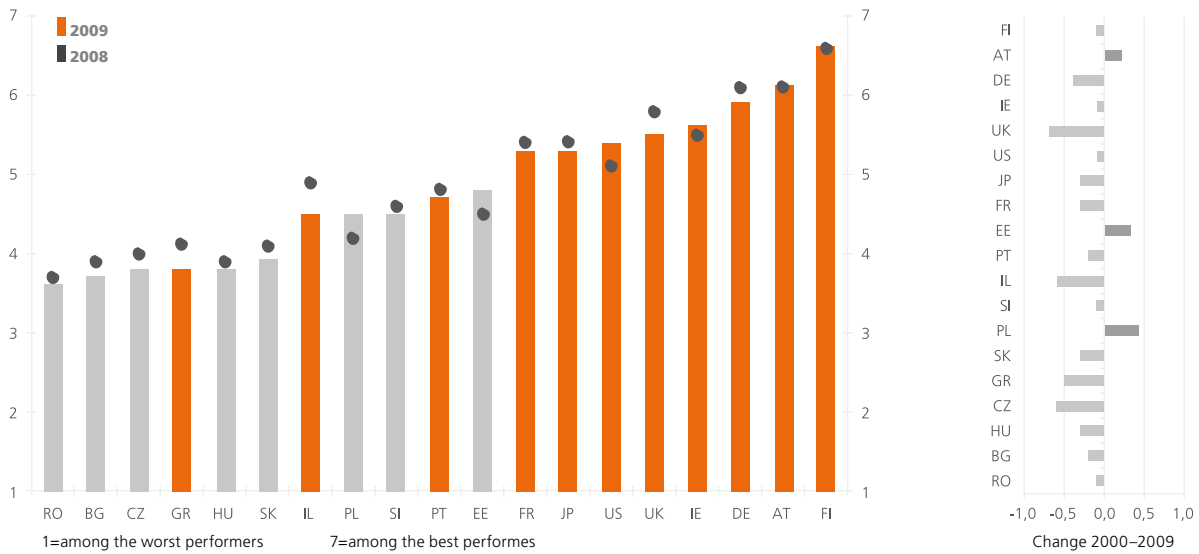
- We are working to incorporate environmental aspects into procurement processes in a number of ways. We have introduced an **electronic procurement procedure**, in which bidders have to submit their offers in electronic form, by email or on CD.
- In 2009 we drafted, and in the summer of 2010 we will introduce, our **new procurement policy**, an important part of which will be the mapping of environmental and social impacts. The new system, to be introduced shortly, will include a supplier evaluation that takes account of the bidder's practices related to sustainable operation. More detailed information regarding the system is contained in the section on our relationships with suppliers.



Corporate governance

Corporate governance issues are central to the responsible operation of the organisation. The question could justifiably be raised of why information essentially related to legal compliance is included in a sustainability report, and why we regard as positive achievements system that serve to describe normal operation. Our reply is that we believe we operate in a country that still has a long way to go to catch up with the frontrunners of the EU nations in the areas of business ethics, legal compliance and the struggle against corruption. The CIB Group's transparent and accountable corporate governance system is simply an example of operations that are in line with expected norms, supplemented with our voluntary corporate CSR governance measures. 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 management, not only by fully complying with legal regulations, but also through initiatives that go beyond our core obligations.

The ethical culture of companies in the EU, 2008-2009

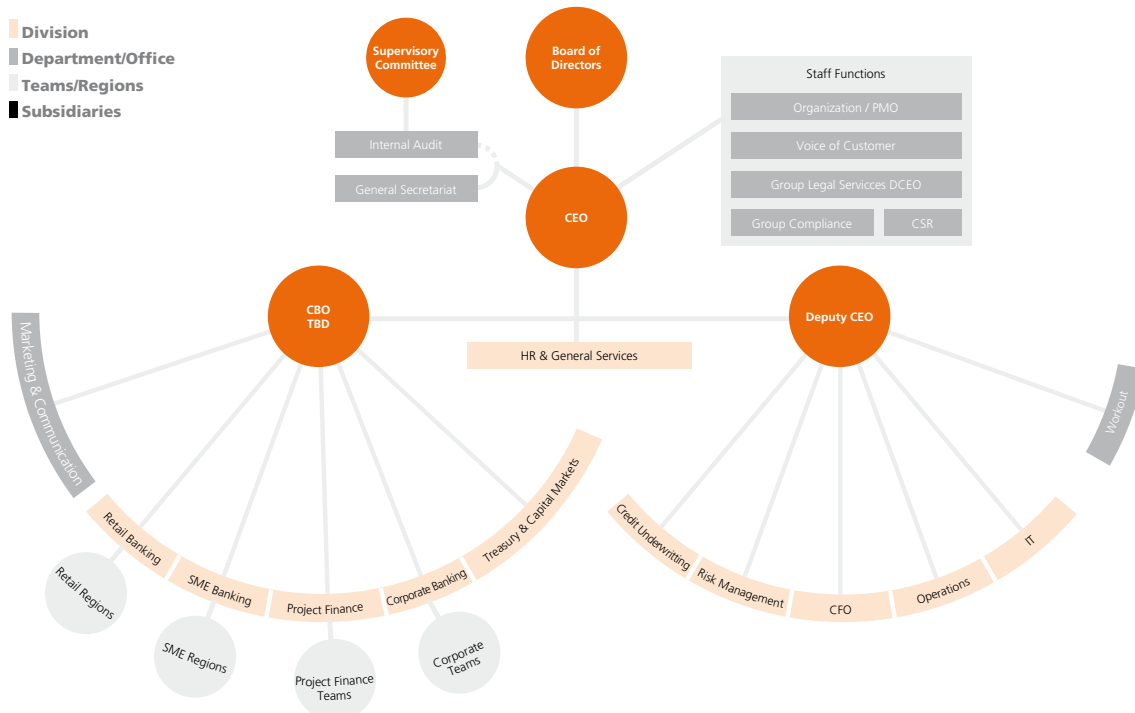


3.1. Organisational structure

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

awareness than before, with efforts being made to improve loan quality, while in respect of deposits the objective is to achieve a further increase in 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 2009)



In 2009, the bank's management worked on a number of significant changes affecting the bank's business and operating model.

The driver of change at CIB Bank is its new CEO Tomas Spurny, who took up the position on 23 March 2009. His arrival opened a new chapter in terms of leadership and governance, resulting in strengthened operational sustainability.

A key aspect of this work was the restructuring of the original organisational model. One of most important reasons for this major corporate restructuring was the financial crisis. Its purpose was to create a group-level organisational structure that is capable of operating efficiently and successfully in the altered business climate, better serves the interests of its most important stakeholders (customers, owners and employees), and is competitive in the domestic market.

The model was developed along the lines of the following basic principles:

1. We established a segment-based business model extending to the entire group, creating the frameworks for business units to focus on the Group's most important customer segments in the future, and paving the way for increases in both customer satisfaction and sales revenue. Besides this, the model reinforces cross-functional responsibilities to enhance organisational efficiency and business performance through a higher degree of cooperation.
2. The model ensures the integrated management of subsidiaries, thereby supporting the more effective control of business performance.
3. In the course of our work, we applied the best practices used by the Intesa Sanpaolo (ISP) Group not only within the organisation, but also with respect to our processes and products. These products and services offer standardised solutions to customers of the ISP Group, regardless of which subsidiary of the group they deal with.

The most important changes are as follows:

- Generally speaking, in terms of the entire organisation we have made an effort to reduce the number of management levels and flatten the hierarchy in order to produce more cost-effective organisational processes, faster, more effective decision-making and more flexible responses to changes in the market.
- In the process of integrating our subsidiaries – particularly the Leasing group – the primary goal was to achieve full integration, with only those areas and activities remaining under the management of subsidiaries that are compulsory by law. This allowed us to boost the cost-effectiveness of our human resources management, while also enabling us to dispense with one of the CIB Group's central office buildings, thus significantly reducing our operating costs.

- In parallel to the organisational restructuring, processes have also undergone significant changes, primarily at departments involved in lending. In the course of developing the new processes and in parallel with the streamlining process, we also introduced more precise definitions of responsibilities and areas of authority, as well as raising the degree of automation in the interests of more efficient operation.
- The new centralised organisation has a divisional structure, with organisational units known as central functions, reporting directly to the CEO, operating alongside the divisions.

Business departments

As a part of the segment-based business model, the establishment of five business segments of equal status - Retail, SME Banking, Corporate Banking, Project Financing, and Treasury and Capital Markets - was complemented by the clear definition of departments with responsibility for the segments (Risk Management, Credit Underwriting, Operations, Controlling, and Workout, i.e. collection). The business functions of the individual subsidiaries were assigned to the new, segment-based divisions. Besides this, the other support, controlling and risk management functions provided by the subsidiaries are managed from the bank at group, together with the bank's corresponding functions, to **ensure that the banking group's business strategy is consistently implemented and its organisational efficiency is maximised.**

The introduction of the segment-based business model has also brought substantial changes to the branch network. The Retail, and separately the SME regions, were also established along the lines of the given business segments. The corporate and project-financed customer segments are managed by the Large Corporate and Project Financing departments under a regime of centralised relationship management. SME Banking has become a strategic segment geared towards serving the CIB Group's SME customers better and more effectively. All measures associated with the overall (Retail and SME Banking) branch network (e.g. separation of the Retail and SME networks, and the promotion of cross-selling) are designed to raise customer focus, enhance the customer experience and more effectively serve the interests of customers. The CIB Group also responded appropriately to payment difficulties caused by the economic crisis. A good example of this is the retail loan restructuring process and the related "Solution" loan product.

Support and control departments

Finance now operates as a new division under the direction of the chief financial officer. Its most important task is to provide continuous monitoring. The purpose of this is to ensure that problems are recognised, losses are minimised and business potential is identified as quickly as possible.

Risk Management and Credit Underwriting have been split into separate divisions, which shows that risk awareness has become a key priority within the CIB Group. A completely new department, known as Risk Mid-Office, has been established within Risk Management, to provide more effective support for lending processes. Separating loan-related decision-making rights from the business departments serves to bring about improvements in the quality of the loan portfolio.

Workout (collection) has become a priority area, under the direct supervision of the deputy CEO. In the wake of the economic crisis, the qualified loan portfolio needs to be managed at a higher level in order to minimise losses.

Information Technology and Operations also report directly to the deputy CEO, which enables better cooperation, since the degree of automation of processes at the Operations Department depends on the level of support provided by IT.

3.2. Decision-making bodies

Members of the Board of Directors

Name	Képviselt szervezet
Dr. György Surányi, chairman	Intesa Sanpaolo bank group
Massimo Pierdicchi	Intesa Sanpaolo bank group
Fabrizio Centrone	Intesa Sanpaolo bank group
Paolo Grandi	Intesa Sanpaolo bank group
Paolo Sarcinelli	Intesa Sanpaolo bank group
Tomas Spurny	CIB Bank
Eduardo Bombieri	CIB Bank
Dr. Gábor Király	CIB Bank

As at 31 December 2009

Members of the Management Committee

Name	Position, area of responsibility
Tomas Spurny	CEO (chairman)
Eduardo Bombieri	Deputy CEO
Dr. Gábor Király	Head of Group Legal Services
-	Chief Business Officer
László Vér	Head of Human Resources and General Services
Judit Lamboy	Head of Retail Banking
Gyula Horn	Head of Corporate Banking and Project Finance
Tibor Galambos	Head of SME Banking
Zsolt Mizera	Head of CIB Leasing
Zoltán Tóth	Head of Treasury and Capital Markets
Zoltán Csordás	Head of Credit Underwriting
András Mikolasek	Head of Risk Management
Péter Bánó	Chief Financial Officer
Andrea Wéber	Head of Operations
Attila Cselőtei	Head of Information Technology

As at 31 December 2009

The corporate restructuring that took place during the year also resulted in some changes to the decision-making and controlling bodies. The introduction of a new organisational and business model made it necessary to review and modify the governance and committee structure. The purpose of the restructuring was to create a segment-based business model extending to the entire CIB Group, to ensure efficient organisational and business operation, as well as the integration of the subsidiaries.

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 CIB Bank.
- The **Supervisory Committee** is responsible for overseeing the bank's operations, and is chaired by Norbert Becker, who represents the Intesa Sanpaolo bank group. The 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 Giampiero Trevisan, supports the work of the supervisory committee, primarily in relation to auditing and compliance-related tasks.
- The **Executive Committee** is authorised to decide on matters determined by the Board of Directors.
- The **Steering Committees** are authorised to independently make decisions and launch initiatives affecting the entire CIB Group, within the scope of authority delegated to them by the bank's Board of Directors:
 - o **Management Committee**
 - o **Asset-Liability Committee**
 - o **Credit Committee**
 - o **Problem Assets Committee**
 - o **Legal and Litigation 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.
 - o Risk committees
 - o Regulatory Committee
 - o Information Security Committee
- The CIB Bank Group's **Technical Committees**, within the scope of their authority, have initiation, proposal and advisory rights.
- **Auditor:** Ernst & Young

3.3. Selection and evaluation of managers

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

At the CIB Group, for all jobs – and this is especially true in the case of management and senior management positions – we have determined and recorded, in a job handbook and personalised job description, the expectations that it is essential to fulfil in order to hold the given post. In the case of senior managers this includes, among other aspects, the necessary formal qualifications (higher-education, specialised), the length and depth of relevant management and professional experience (for the management of larger units, several years of management experience) gained in the given specialist area (more than 8 years) and in the bank sector in general (5-8 years), the expected level of foreign-language proficiency (at least negotiation-level English) and last, but not least, the requisite interpersonal skills, in accordance with the management competency model determined by the owner. The appraisal of the individual and collective performance of senior managers – which also determines their remuneration – is approved by the owner based on the recommendation of the CEO. The appraisal, and thus remuneration, 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 attitude 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. In order to promote a culture of performance management among our managers, we have introduced performance management training as a selectable module in our management development program.

In 2009, at the request of the owner, at all subsidiaries, including CIB Bank, the **Managerial Assessment project** was launched, with the aim of evaluating the leadership skills of middle and senior management. In the first phase of the project we conducted targeted interviews with managers, and organised assessment centres, followed in the second phase by a 360-degree evaluation. We provided all managers concerned with feedback regarding the results, which we also made use of when planning the management training courses for 2010.

Following completion of the organisational restructuring at the end of 2009, we began to overhaul the performance appraisal and incentive system. In the first stage we are developing the new system to be applied at senior levels, and an important part of this is determining the key performance indicators based on which we can evaluate the managers' performance. This will be followed by a reworking of the system applied in the case of other employees.

3.4. Promoting ethically-sound and responsible operation

Code of Ethics and Code of Conduct

At the owner's request, but in a continuation of work already commenced by the Bank on its own initiative, in April 2008 CIB Bank's Board of Directors approved the parent company's **Code of Ethics**, applicable to all members of 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.

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

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

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 stand-

point 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.

• Responsible lending

The risk assumption framework introduced by the CIB Group in 2009 supports a lending policy that is active, and thus enables the fulfilment of business expectations, while at the same time serving the CIB Group's long-term interests (return, profitability and prudent operation). The lending practices established on this basis take into account both business and risk-related considerations. The version of the lending policy approved last year contains several passages and requirements pertaining to the assumption of environmental, social and economic responsibility. Social responsibility related to lending was reflected in the CIB Group's principle of responsible lending even before it was incorporated into the Hungarian legal system. Responsible lending means that in all cases we only serve our customers with financing products that are appropriate in the light of the given customer's risk profile and creditworthiness. The creditworthiness appraisal is primarily based on the customer's income, except in the case of explicitly asset-based financing structures, such as leasing. We treat customers who are in a close relationship with each other as customer groups, to avoid mutually interdependent customers from taking on excessive debt.

The CIB Group has developed a close monitoring system in order to detect, at an early stage, any financial difficulties that may be experienced by customers. In the event of a problem of any kind, the CIB Group makes an effort to work with the customer to seek a mutually acceptable solution.

And important principle of our lending operations is that the CIB Group does not enter into business relationships with companies that manufacture or trade in weapons, military hardware and subsystems, or equipment that can be used for military purposes (no-arms policy). The Bank Group does not finance any kind of initiative that breaches or could breach any statute or universal human rights, or which serves to legitimise funds derived from illegal activities (money laundering). As regards environmental responsibility, the CIB Group avoids financing any activities that are potentially damaging to the environment. To ensure the timely identification of risks, where necessary we involve external consultants in the process.

The fulfilment of the principles set out in the lending policy is monitored during the lending process. All participants are bound, by regulations, to comply with the principles. This is primarily ensured by the responsible business manager, through the exercising of hierarchical control. In the later phases of the process, depending on the process type, it is the duty and responsibility of the various organisational

units to ensure that approval is only granted to proposals that accord with the lending policy.

At present, within the CIB Group there are no control mechanisms operated by Internal Audit specifically for monitoring the application of these principles. However, it is important to highlight the fact that the lending policy is a framework, and strict compliance with its provisions is taken into consideration and checked in the course of every single internal audit related to credit risk.

• Internal Audit

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

• Compliance

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

• Prevention of money laundering and corruption

A separate team of specialists coordinates activities to combat money laundering. Their task is to screen for suspicious transactions, provide staff with training in anti-money laundering procedures, forward reports of suspicious transactions to the relevant authorities, and to ensure the necessary flow of information. In the course of 2009, the CIB Group devoted even more resources than in previous years to ensuring that these operations were as effective as possible. This involved two main types of activity: one was the termination of business relationships with the significant number of customers who did not display an appropriate degree of transparency, while the other was the ongoing training of our employees.

In 2009 a total of 161 branch compliance officers, and 132 branch customer service employees, received training in the prevention of money laundering, which was provided to the latter group as a part of the orientation training courses held for new branch staff. A total of 2 009 of the bank's employees, and a further 415 members of staff at CIB Leasing (in total 74% of the number of employees on December 31, 2009)¹, successfully passed the examination on the prevention of money laundering. The obligatory Code of Conduct,

which was approved in 2008, has a separate section devoted to the prohibition of corruption.

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

• Prevention of conflicts of interest

We proceed in accordance with requirements that a stricter than those set out in Act CXII of 1996 (Credit Institutions Act.), Act CXXXVIII of 2007 (Investment Services Act), and Act XXII of 1992 (the Labour Code). To this end we have amended our internal regulations pertaining to personal conflicts of interest. We have created an electronic interface, through which our employees are required to declare relevant personal information. In 2009, we conducted a detailed audit of the entire workforce of the CIB Group to prevent potential personal conflicts of interest, as a result of which the employment contracts of several members of staff were terminated unilaterally. We improved our procedures for screening job applicants in order to detect potential conflicts of interest. In 2009 we held distance-learning courses for staff, at the end of which 3 757 employees successfully passed the examination.

• Monitoring personal transactions

Under the above-cited Investment Services Act it is compulsory for our employees to declare every single one of their share transactions to the bank. For this purpose, we have created an electronic interface for employees to report their financial dealings quickly and easily. To ensure legal compliance, the bank checks that declarations are made and investigates any suspicions of insider dealing, attempts to distort the market or conflicts with the interests of customers, are investigated.

• Risk management, prudent investments

By necessity, the 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 Finance and Risk Management department is responsible at CIB. As a result of the economic crisis, effective risk management took on a heightened importance in 2009. A detailed account of the steps taken in this regard is given in the relevant section.

In 2009, CIB Bank adopted the Non-armament 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.

¹ In 2008, CIB has not offered training on anti-corruption, while 100% of the employees completed the test on prevention of money laundering. From 2007, we do not have comparable data.

- **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 Constitution of the Republic of Hungary (paragraph 70/B). By adding its signature to the UN

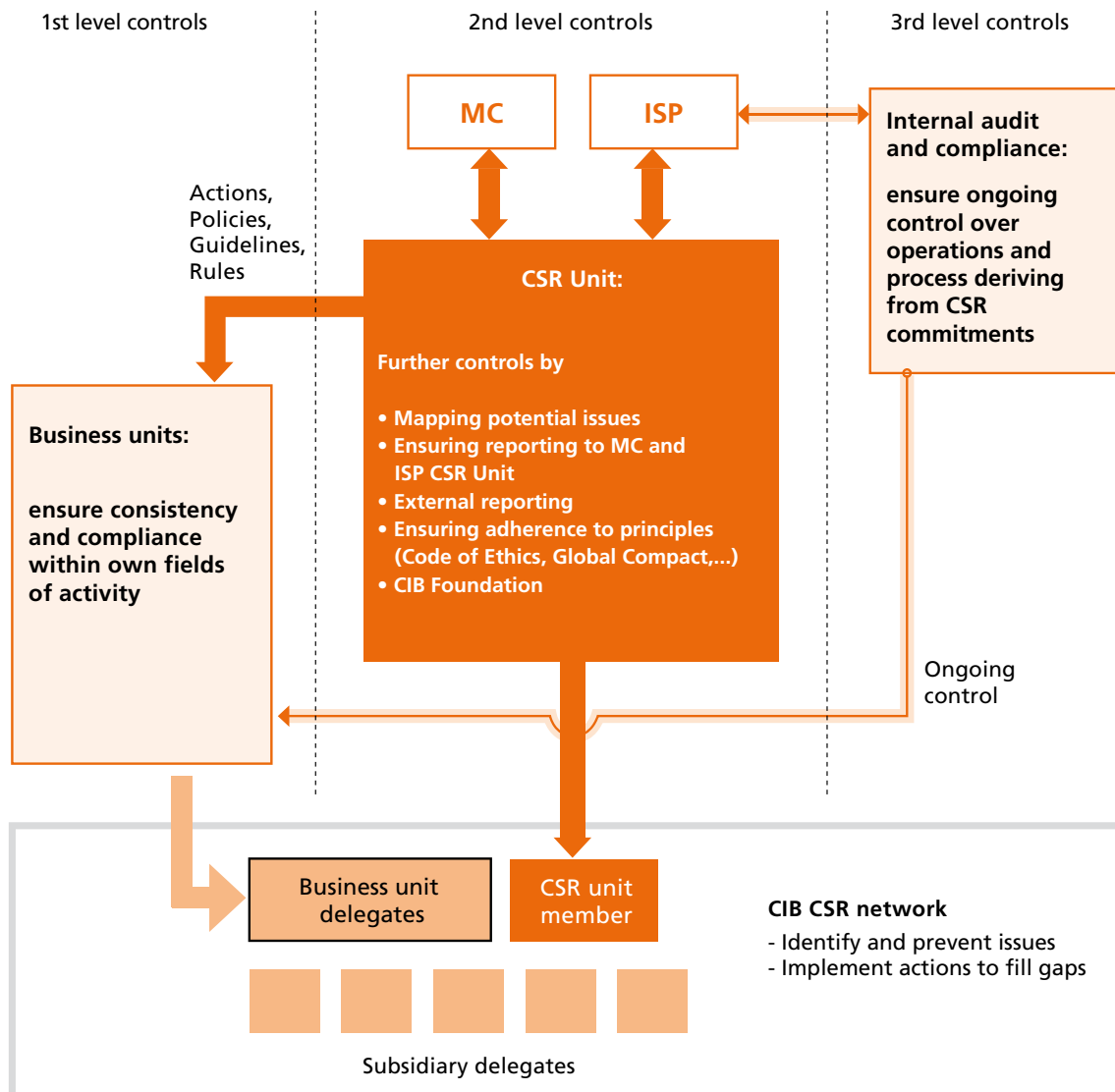
Global Compact it has agreed to be bound by the principles set forth therein, and thus – with respect to employment – to fully comply with the passages prohibiting all forms of child labour and forced labour.

3.5. CSR management and communication

We established our CSR management model in 2008 and it remained unchanged in 2009. 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.

The importance of CSR is demonstrated by the fact that it has been under the direct supervision of the CEO since summer 2009, although the related tasks are performed by the Marketing and Communication department due to HR management considerations. The department submits a quarterly report to management on CSR activities, outlining the most important achievements of the previous quarter and the challenges that lie ahead in the following three months.

CSR management in the CIB Group



Stakeholder engagement

Corporate social responsibility is underpinned by an ongoing dialogue with the stakeholders. **We have already defined, in our CSR strategy drafted in 2006, the groups that we regard as our stakeholders: all those who may be affected by the activities and operations of the bank, and/or who may affect 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: suppliers, civic organisations, local communities and professional organisations.

The engagement of stakeholders, and continuous dialogue, are fundamental to responsible operation. They make it possible for ideas and proposals to be heard, discussed and incorporated into the bank's operations. In the course of 2009, we continued using a variety of formats, communications tools and channels to engage with our stakeholders. To cite just some examples:

- As part of the **Listening 100% program**, we carried on **eliciting the opinions of our customers** and measuring their levels of satisfaction using a questionnaire distributed in our branches and posted on our website.
- We canvassed opinions on the Sustainability Report, which constitutes an integral part of our **CSR Communications**, from acclaimed specialists forming a **panel of experts representing our stakeholder groups**.

- In an **Employee Satisfaction Survey** (Climate Survey), we assessed our employees' working atmosphere, and their opinions and attitudes regarding CIB as an employer.
- We consulted with the **Staff Council**, formed in 2008, with special regard to the headcount reductions.
- We give 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**.
- We have provided the venue for a **symposium addressing the social integration of Roma**.

We give an account of the initiatives affecting individual stakeholder groups in the relevant section of the Sustainability Report.

CSR communication

We continued to place considerable emphasis on communicating our CSR initiatives to stakeholders in 2009. This is the third occasion we have published our Sustainability Report, based on GRI guidelines, which **was externally and independently assured for the first time in 2009. Thus, the report achieved a GRI compliance rating of B+.** In terms of content, a new feature of the report is that it also gives **an account of the practical implementation of the guiding principles of the EU Global Compact.** As regards format, the most important new development was the publication of the report exclusively in electronic form – for environmental reasons, no print version has been produced. Concurrently with publication of the report, we have also updated the CSR section of our website.

As a part of our efforts to implement our ambitious CSR communication plans, as in 2008 we again participated in the **Good CSR™ program**, which is a joint initiative by companies committed to good corporate citizenship, to promote

the widespread adoption of responsible business practices. In the context of the program, we prepared a brief, four-page version of our Sustainability Report, which we also made available to customers in the branches. Our objective here was to disseminate news of our most significant initiatives to a wider audience.

To ease the process of compiling the Sustainability Report, during the year **we began compiling a data-base containing the data required by GRI in a standard format**, thus ensuring that the data included in the report appears as standardised content suitable for comparison from one period to the next. The database will be completed by mid 2010, and, by precisely defining the content of the reported data, it will also assist in ensuring the consistent interpretation of the data contained in the group-level sustainability report issued by the parent bank.

The effectiveness of our efforts to ensure transparency is demonstrated by the results of the **CSR 24/7 survey** conducted for the second time in Spring 2010, which ranks the CSR performance of major companies and financial institutions from four countries in the Central European region – namely Austria, Hungary, Poland and Romania – based on the information published on their websites. On the basis of our performance in 2009, we were ranked third among Hungarian companies – putting us ahead of all our competitors.

To ensure that the content and form of our communications on the subject of CSR – especially our sustainability – are as closely aligned to the expectations of our stakeholders as possible, in spring 2010 we asked a **panel of experts representing our stakeholder groups** to provide us with feedback on our Sustainability Report for 2008. We have endeavoured to incorporate the panel's feedback, suggestions and recommendations into this year's report on the activities of 2009. The comments and suggestions made by the stakeholder panel are summarised in detail in the Appendix.

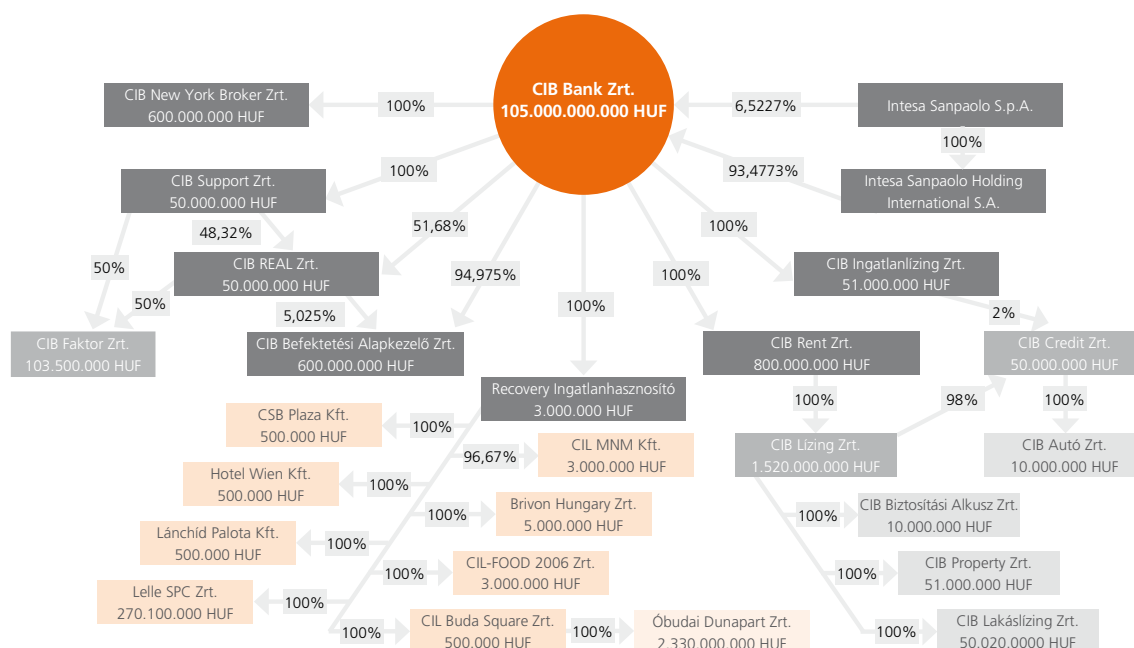
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Annexes

4.1.

CIB Bank – core data

Name:	CIB Bank Ltd.
Territory of operation:	Hungary
Company form:	Privately-Held Joint Stock Company (Zrt.)
Ownership structure:	Intesa Sanpaolo Holding International S.A. 93.4473%
	Intesa Sanpaolo S.p.A. 6.5227%
	As at 31 December 2009

Members of the CIB Group¹

As at 31 December 2009

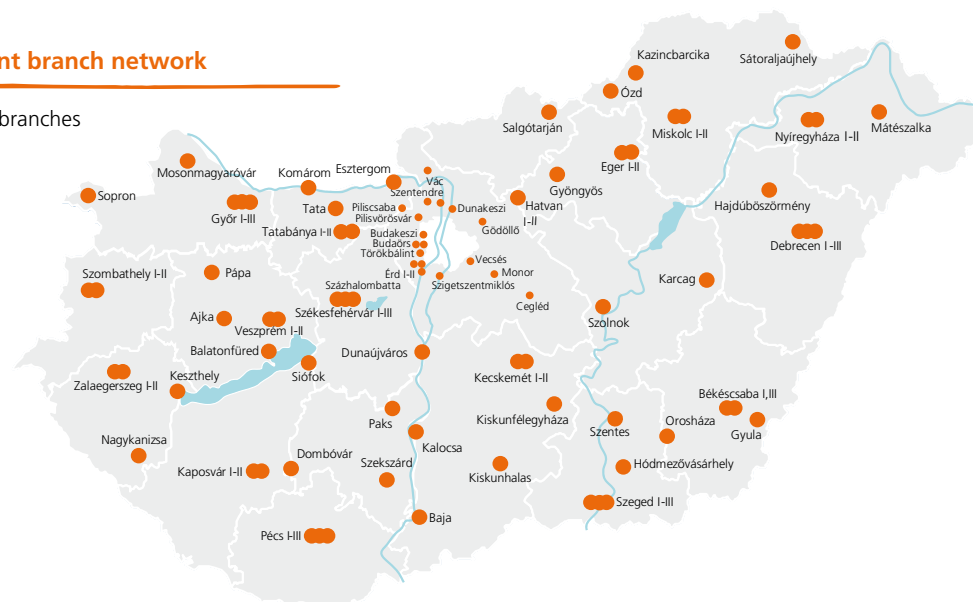
¹ Subsidiaries providing business services.

4.2.

Branch Network

Current branch network

- CIB branches



Budapest

- CIB branches

- | | |
|-----------------------|-----------------------|
| 1 – Andrássy út | 15 – Fényes Elek utca |
| 2 – Oktogon | 16 – Boráros tér |
| 3 – Nyugati tér | 17 – Ferenciek tere |
| 4 – Szent István krt. | 18 – Rákóczi tér |
| 5 – József krt. | 19 – Ferenc krt. |
| 6 – Pilvax | 20 – Bartók Béla út |
| 7 – Károly krt. | 21 – Bőszörményi út |
| 8 – Kálvin tér | 22 – Bajcsy |
| 9 – Rózsakert | 23 – Szabadság tér |
| 10 – Lövház utca | 24 – Blaha |
| 11 – Medve utca | 25 – WestEnd |
| 12 – Kékgolyó utca | 26 – Móricz |
| 13 – Hilton | 27 – Alea Skála |
| 14 – Zöldfa | |



As at 31 December 2009

Our countrywide presence

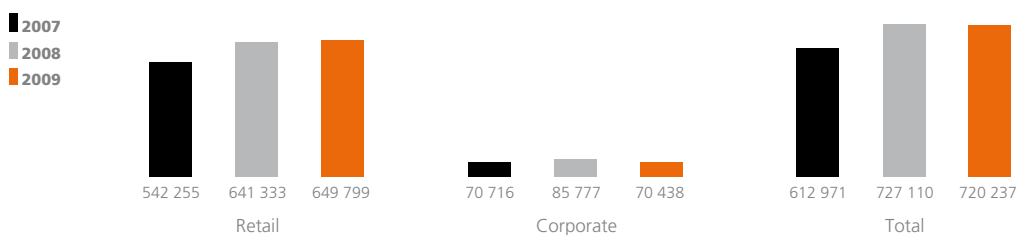
	2007	2008	2009
Bank branches	105	153	151
Representative offices	35	42	24
ATMs	134	228	221

As of 31 December

4.3.

CIB Bank in figures

Business data



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

	2007	2008	2009
0-32 years	28.6	26.5	27.0
33-42 years	25.5	26.4	26.1
43-52 years	19.9	18.5	18.2
53-67 years	20.8	22.4	22.1
Over 67 years	5.2	6.2	6.5

As of 31 December

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

	2007	2008	2009
0-1 years	41.8	16.8	12.8
2-4 years	41.7	50.1	43.6
5-7 years	11.1	20.6	28.4
8-10 years	4.3	9.4	9.9
11-20 years	1.1	3.0	5.0
20 years or more	0.1	0.1	0.1

As of 31 December

Retail product usage (including micro-enterprise customers)

	2007	2008	2009
Retail loans (HUF billion)	289.5	509.2	524.4
Retail deposits (HUF billion)	471.9	597.5	734.5
Number of active bank cards	354 417	439 257	459 259
Number of customers with an active CIB Internet Bank subscription	139 415	226 779	274 632

Consolidated, IFRS data as at 31 December

Corporate product usage

	2007	2008	2009
Corporate loans ¹ (HUF billion)	1 005.5	2075.2	1834.0
Corporate deposits ² (HUF billion)	626.5	888.3	913.6
Number of active bank cards	17 807	12 181	10 971
Number of customers with an active CIB Internet Bank subscription	27 415	16 691	13 115

Consolidated, IFRS data as at 31 December

Distribution of the loan portfolio by sector (%):

Individuals:	20.26%
Real estate investment:	24.48%
Commerce:	10.15%
Financial:	4.01%
Agriculture:	3.26%
Heavy industry:	3.03%
Light industry:	2.92%
FMCG manufacturing:	2.90%
Transport and communication:	2.00%
Chemical and pharmaceutical industry:	1.25%
Other, mainly service sector:	25.74%

¹ Excluding loans provided to members of the CIB Group.

² Excluding deposits collected from members of the CIB Group.

4.4.

Authority proceedings

- Number of proceedings launched by the various authorities, concluded in 2009 with the passing of a resolution: 16
- Of these, the number of proceedings in which a breach of law was found to have been committed, and a fine imposed: 8
- Amount of fines paid in 2009: HUF 206.5 million, of which
 - o HFSA fine: HUF 19 million
 - o Equal Opportunities Ombudsman fine: HUF 6.5 million
 - o Competition Office fine: HUF 181 million (in 2008: HUF 90 million; in 2007: HUF 15 million)

Procedures launched by the Hungarian Financial Supervisory Authority (HFSA), in which a breach of the law was found to have occurred and a fine was imposed

1. Investigation of complaints by private customers

The HFSA called upon the bank to maintain its records accurately and in a manner that presents a faithful picture of its customers financial assets at all times, and relying on these records, to provide its customers with accurate information. Due to a breach of the relevant statutory provisions, the Authority obliged the bank to pay a supervisory fine of HUF 1 million.

2. Risk-based targeted and follow-up audit following the comprehensive HFSA audit conducted at the bank in 2005.

The purpose of the audit was to reveal, identify and measure the extent of the risks arising in the course of the **bank's** operation, and the quality of risk management, and to examine legal compliance with respect to MiFID, money laundering, CIBK and IT security. For implementation of the measures stipulated by the HFSA, and due to a breach of the relevant statutory provisions, the Authority ordered the bank to pay HUF 10 million.

3. Risk-based targeted and follow-up audit at CIB Factor

The purpose of the audit was to gain a picture of the risks arising from the company's activities, specifically the operation of the IT system, legal and compliance risks, and measures to combat money laundering. For implementation of the measures stipulated by the HFSA, and due to a breach of the relevant statutory provisions, the Authority ordered CIB Factor to pay HUF 1.5 million.

4. Investigation into the legal compliance of the practices of making unilateral contract amendments in connection with the bank's retail credit products

In a resolution, the HFSA obliged the bank to comply with the statutory provisions on unilateral contract amendments, and, due to a breach of the relevant statutory provisions, imposed a supervisory fine of HUF 6.5 million on the bank.

Proceedings launched by the Equal Opportunities Ombudsman (EBH)

1. Case no. EBH/713/2009

Based on a complaint by a retiree, the EBH launched a proceeding against CIB Bank Zrt. on the grounds of a breach of equal opportunities standards. The 76-year-old complainant alleged that he had been discriminated against, since due to his age he was not eligible to apply for a personal loan. The bank contacted the complainant and offered to provide him with a Credit Card and/or CIB Shopping Card instead of the personal loan; however, the complainant refused the offer. The Equal Opportunities Ombudsman ordered CIB Bank to eliminate the breach of law within 60 days from receipt of its resolution to this effect, and to publish the resolution for a period of 90 days. In addition to the above, the EBH ordered CIB Bank to pay a fine of HUF 4 million. The fine was paid to EBH.

2. Case no. EBH/713/2009

Based on a complaint against CIB Bank, the EBH launched another proceeding. According to the submission of a 73-year-old retiree complainant, when enquiring about credit opportunities the complainant was informed that the CIB Quick Loan was only available to persons under the age of 65. The Equal Opportunities Ombudsman prohibited a continuation of the illegal conduct, ordered that the resolution establishing a breach of law be published for a period of six months, and obliged CIB Bank to pay a fine of HUF 2.5 million. The fine was paid to EBH.

Procedures launched by the Hungarian Competition Authority

1. Competition authority investigation launched in response to a complaint (Vj-121/2007)

In a ruling dated 23 July 2007, the GVH launched competition authority proceedings against CIB into a suspected breach of the prohibition on unfairly influencing consumer decisions. The complainant alleged to GVH that the information provided to customers regarding the CIB Foreign Currency Housing Loan and the CIB Index-linked Deposit promotes these two products in a misleading manner. The complaint was subsequently escalated to a competition authority investigation. The aim of the GVH investigation was to clarify whether the bank provided unsatisfactory information to consumers regarding the above-mentioned two products, thereby unfairly influencing customer decisions. In a resolution delivered to CIB Bank in December 2009, the GVH obliged CIB bank to pay a fine of HUF 90 million. The fine was paid to the GVH.

2. Competition authority proceeding (Vj-18/2008)

On 31 January 2008 the Competition Office launched a competition authority proceeding against 23 card-issuing banks in Hungary, as well as against the VISA and MasterCard card companies, on the grounds of a likelihood that the interchange fees charged in the course of purchase transactions made using bank cards issued in Hungary were suitable for restricting and distorting competition, in breach of Article 81 of the Founding Treaty of the European Union, and §11 of Act LVII of 1996 on Unfair Market Conduct and the Restriction of Competition. In its resolution, the Competition Office obliged CIB Bank to pay a fine of HUF 91 million. The fine was paid to the GVH.

4.5.

Human Resource data

Number of employees of the CIB Group

	2007	2008	2009
Fixed term	137	144	99
Indefinite term	2 933	3 513	3 180
Total	3 070	3 657	3 279

As of 31 December

Number of part-time employees:	58 fô
Number of employees with congenital disabilities:	5 fô
Number of employees with acquired disabilities:	22 fô
Number of agency employees:	111 fô

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

	2007	2008	2009
Male, under 30	16.3	11.7	10.5
Female, under 30	30.9	24.4	25.6
Male, 30-50	17.7	20.8	18.0
Female, 30-50	30.6	36.3	40.4
Male, over 50	1.1	1.7	1.4
Female, over 50	3.4	5.1	4.0

As of 31 December

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

	2007	2008	2009
University	21.0	23.5	47.8
College	30.0	30.2	49.5
Other ²	49.0	46.3	2.7

As of 31 December

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

	2007	2008	2009
Executive male	4.8	4.9	5.1
Executive female	2.3	2.4	2.3
Specialist male	9.1	9.4	9.8
Specialist female	7.6	9.0	9.7
Subordinate male	21.3	19.9	18.9
Subordinate female	55.0	54.4	54.2

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

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

	Men	Women
Executives	69.0	31.0
Specialists	50.2	49.8
Subordinates	25.9	74.1

Number of CIB Group's employees by geographical location¹

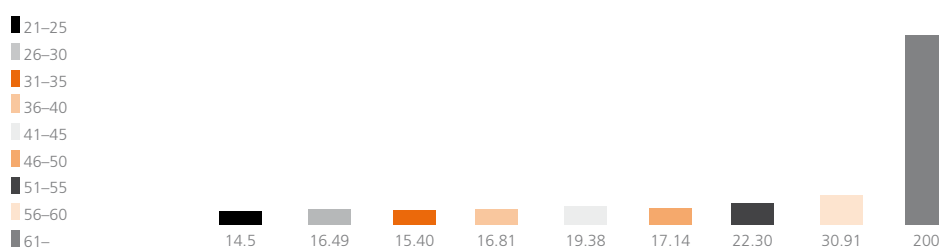
	2009
Budapest	2 627
North-East Hungary Region	184
North-West Hungary Region	180
South-East Hungary Region	163
South-West Hungary Region	125

As of 31 December

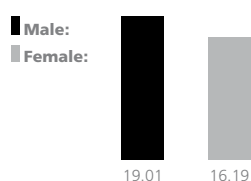
Proportion of employees leaving the company (% , number of outgoing employees/year-end headcount)

	2007	2008	2009
Proportion of employees leaving the company	11.2	20.4	17.14

Proportion of employees leaving the company, by age group, in 2009 (%)



Proportion of employees leaving the company by gender, % (2009):



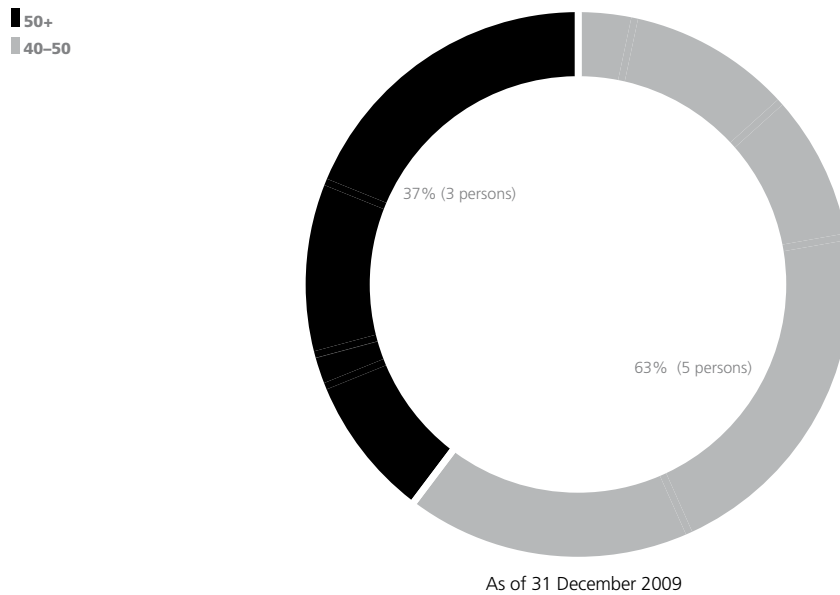
Employee turnover in the CIB Group (no. of persons)

	2007	2008	2009
Employees joining	698	889	230
Employees leaving	423	747	562

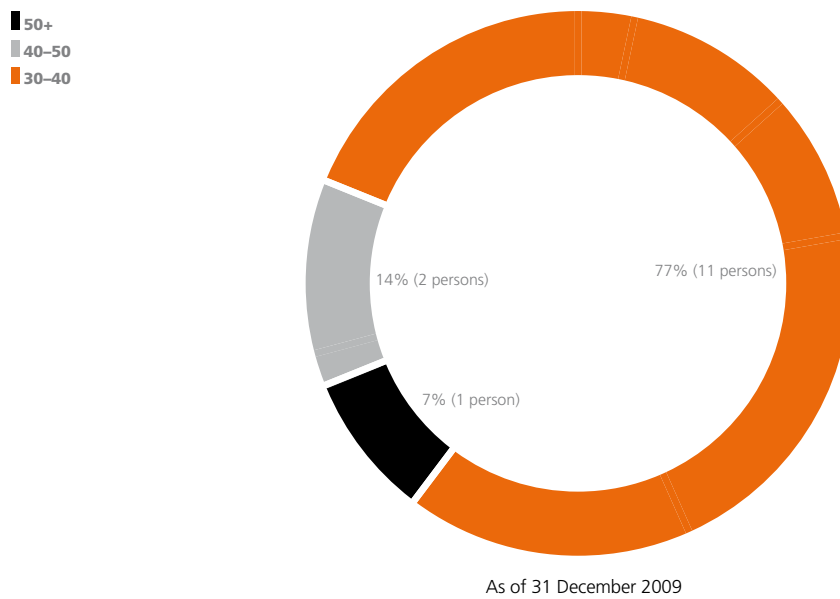
As of 31 December

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)

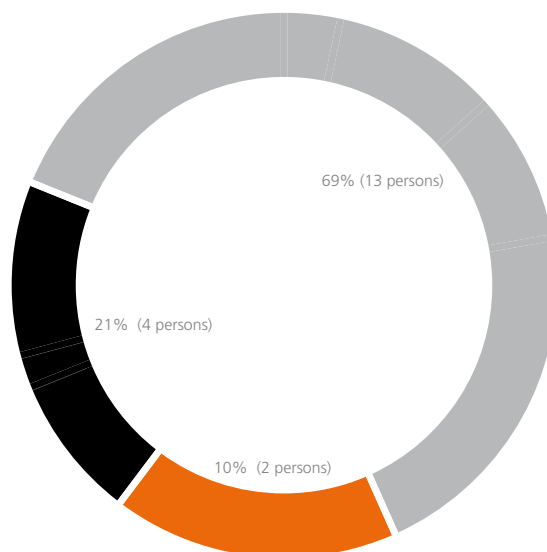


Composition of the Management Committee by age group (percentage, number of persons)



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

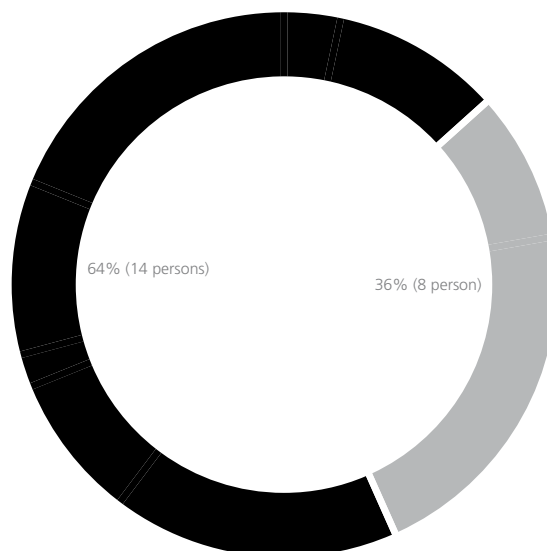
■ 50+
■ 40–50
■ 30–40



As of 31 December 2009

Proportion of Hungarian citizens within the Board of Directors and the Management Committee (% , number of persons)¹

■ Hungarian
■ Non-Hungarian



The average monthly wage of career starters recruited by the bank in 2009 was HUF 211 450, or 236% of the statutory minimum wage. In 2008 it was HUF 259 650 gross, or 313% of the HUF 82 800 statutory minimum wage. In 2007 we did not report this data. The basis of the calculation is the statutory minimum wage for jobs requiring higher (vocational) education.

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%, and in 2007 it was 91%.

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

	2007	2008	2009
Executive male	12.71	13.54	13.32
Executive female	11.09	11.89	12.44
Specialist male	6.80	7.08	7.22
Specialist female	6.73	6.91	6.93
Subordinate male	3.56	3.77	3.92
Subordinate female	3.08	3.35	3.46

As of 31 December

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

	2007	2008	2009
Number of accidents at work	11	12	8
Number of working days lost	265	161	106

As of 31 December

Absenteeism by reason for absenteeism (%)¹

	2007	2008	2009
Illness	27.9	28.4	26.7
Accident	0.3	0.2	0.1
Maternity leave	64.3	63.8	61.5
Other	7.6	7.6	11.7

As of 31 December

¹ As a proportion of total days worked

4.6.

Membership in associations

Membership of associations in 2009

Hungarian Banking Association
Budapest Stock Exchange
Hungarian SEPA Association
Camera di Commercio Italiana per l'Hungaria
Budapest Chamber of Commerce and Industry for entrepreneurs
Joint Venture Association
ACI / The Financial Markets Association
International Chamber of Commerce
National Association of Securities Dealers
SALDO Financial Consultation
Tha Association of Chartered Certified Accountants Customer Services (ACCA)
Institute of Internal Auditors of Hungary
ISACA
Financial Research Plc.
Hungarian Economic Association
IIF Institute of International Finance
IIF Emerging Markets Advisory Council
Hungarian Detective Association
Hungarian Justice Chamber
Hungarian Security Management Leaders Association
Hungarian Advertising Association
Hungarian Advertising Self Regulatory Board

4.7.

Awards and acknowledgements

- Retail Lending Product of the Year: CIB Solution Loan – MasterCard
- Superbrand – Brand Council, London
- Business Superbrands – Brand Council, London
- Bronze Effie award – financial products category

CSR 24/7 ranking

With a place among the top three contenders, the CIB Group came first among Hungary's financial institutions in the list of companies, compiled by B&P Braun & Partners Magyarország as a means of ranking corporations in terms of their corporate social responsibility (CSR 24/7). The result of the survey, which was published on 5 May 2010 and is based

on the information regarding sustainability published on CIB's website in 2009, meant that CIB beat out its competitors to achieve the best position among financial-sector companies in the TOP 25 list. This also placed the CIB Group sixth in the ranking of responsible companies in the Central European region.

CSR 24/7 uses a methodology based on internationally recognised evaluation methods to assess the performance of companies in terms of corporate social responsibility, drawing on publicly available information. The aspects examined include transparency, corporate governance, stakeholder relations, environmental and economic responsibility, community relations and the management of human resources. CIB Bank, as a newcomer to the list, went straight to 3rd place in the recently published 2010 ranking. With this result it came first among participants in the Hungarian bank sector.

This achievement, and the recognition that it brings, is due to the fact that as one of the leading bank groups in Hungary, and a member of the international Intesa Sanpaolo Group, CIB is increasingly active in contributing to the sustainability of our social, economic and natural environment. We have also placed particular emphasis on making these initiatives comprehensible and visible to our customers and employees. Our prominent placing in the CSR 24/7 ranking comes as recognition of these efforts, since the evaluation was based on publicly available information.

Place	Company	2009	2010
1	Magyar Telekom Távközlési Nyrt.	79%	88%
2	MOL Magyar Olaj- és Gázipari Nyrt.	71%	83%
3	CIB Bank Zrt.	-	77%
4–5	OTP Bank Zrt.	73%	75%
4–5	Tisza Vegyi Kombinát Nyrt.	71%	75%
6–9	EON Hungária Ebergetikai Zrt.	54%	60%
6–9	Generali-Providencia Biztosító Zrt.	54%	60%
6–9	K&H Bank Zrt.	54%	60%
6–9	MVM Csoport	56%	60%
10	Tesco-Globál Áruházak Zrt.	29%	50%
11	Audi Hungária Motor Kft.	35%	44%
12–13	Budapest Elektromos Művek Nyrt.	17%	38%
12–13	EON Földgáz Trade Földgázkereskedő Kft.	38%	38%
14–15	Spar Magyarország Kereskedelmi Kft.	15%	33%
14–15	Tigáz Tiszántúli Gázszolgáltató Zrt.	-	33%
16	OMV Hungária Ásványolaj Kft.	-	31%
17–19	Allianz Hungária Biztosító Zrt.	23%	29%
17–19	Bosch Csoport	-	29%
17–19	ISO Dunafer Zrt.	21%	29%
20–21	Magyar Suzuki Zrt.	13%	21%
20–21	Philips Magyarország Kft.	8%	21%
22	Samsung Electronics Magyar Zrt.	19%	19%
23	Sanofi-Aventis Chinoi Zrt.	-	15%
24	Panrusgáz Gázkereskedelmi Zrt.	10%	10%
25	Flextronics International Termelő és Szolgáltató Vámszabad-terület Kft.	-	0%

4.8.

Summary of the assessment, by the Stakeholders' Panel of Experts, on the 2008 report

On 29 March 2010 a panel of experts made up of the representatives of stakeholders and specific issues that are important from the perspective of the CIB Group's Sustainability Report, evaluated the Sustainability Report for 2008, and, based on their findings, set out their expectations and recommendations with regard to the 2009 Sustainability Report.

The members of the panel were:

- **Kincső Adriány (written evaluation)** Executive Director, Hungarian Business Leaders Forum
- **Viktor Bálint** Publisher, Sanoma Budapest Zrt., Figyelő Group
- **Péter Paál** CEO, IBM Hungary Kft.
- **Dr. Péter Szeles** Chairman, Hungarian PR Association
- **Silvia Szendrey** Executive Director, Joint Venture Association
- **Judit Pap Sz.** Member of the Board of Trustees, Financial Compass – Foundation for Financial Awareness
- **Mária Tölgyesi** Deputy Chair, CIB Group Staff Council
- **Katalin Urbán** Executive Director, Alternate Consulting Kft.
- **Mandy Fertetics, moderator** Executive Director, Alternate Consulting Kft.

"The panel commends and regards as exemplary, in itself, the fact that the CIB Group publishes a sustainability report, and that it regards sustainable and responsible operation, and reporting on them, as important. With regard to the 2008 report the panel of experts identified the following key strengths:

- Well-structured
- Thorough, comprehensive
- Professionally grounded
- The strategic approach is visible, and the report also touches on sensitive issues

Overall they judged the report to be good, but at the same time they also pointed out the most important flaws in the report, the elimination of which could further improve the quality and usefulness of the report:

- The most important issues should have been discussed in an extent and to a depth that was commensurate with their significance (e.g. crisis, merger).
- The descriptions of problems are good, and deal with important issues, but in many cases the response is missing.
- Statements are typically elicited, but an evaluation from the stakeholders' point of view, and the measurement and evaluation of the interactions, are missing (the CIB Group does not place itself sufficiently into context within its own network of stakeholders).
- It often blurs the distinction between the various motivational factors underlying the measures implemented (what has been done in the interests of legal compliance, short-term financial interests and long-term corporate social responsibility), and the emphasis is also inconsistent with this in places (sometimes overly self-congratulatory, sometimes lacking in self-criticism).
- A few important issues were omitted (e.g. developing financial literacy, ecological footprint), while more illustrations, diagrams and images would have been preferable in the interests of improving readability and comprehensibility.

Taking into consideration the evaluation of the 2008 report and the practices of other Hungarian and international banks – known to the members of the experts' panel – and having gained a familiarity and understanding with the viewpoints of the stakeholders and each other, the stakeholders' panel of experts set out the following recommendations and expectations with regard to the CIB Group's Sustainability Report for 2009:

- The focus and conceptual basis of the report should be the economic crisis, its impacts on the stakeholders and the CIB Group; and the authors of the report should feel free to present the resulting difficulties and dilemmas frankly and self-critically.
- The report should attempt to take a less insular view; in other words it should take as its starting point the group's environment and role within it, and should accordingly measure and evaluate the group's interactions with its stakeholders, and the results thereof.
- The report should remedy the deficiencies of content and form that were defined by the panel of experts in their evaluation of the 2008 report.
- The report should use more practical examples and illustrations, and assist in making judgements through the use of comparative data.

The panel of experts strongly recommends that the CIB Group retain the structured nature, thoroughness, quality and sincere tone of the report, in line with past practices."

4.9.

Compliance with the principles of the UN Global Compact

The United Nations Global Compact



Global Compact Network
Hungary

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

The aims and fundamental principles of the UN Global Compact

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

The CIB Group's values and the UN Global Compact

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

Communication On Progress

The Communication on Progress (COP) at the end of this Sustainability Report cross-references the various aspects of our performance with the individual principles, based on the GRI methodology. We will send the COP document, as a part of our Sustainability Report, to the relevant organisation within the United Nations.

Global Compact principles	Our performance	Related GRI indicators
Human Rights		
1. Business should support and respect the protection of internationally proclaimed human rights, and	<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 its operation the Bank fully respects the Hungarian Constitution and all other general domestic and international treaties 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. In 2009 only 21 complaints were received. • 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. make sure they are not complicit in human rights abuses.	<ul style="list-style-type: none"> • In 2009 we continued with implementation of the Code of Ethics, and the Code of Conduct based thereon. One of the most important in-house initiatives in 2009 was the internal communication campaign held to promote the core values of the Intesa Sanpaolo Group. • 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 2009 we continued with the barrier-free conversion of bank branches, and the installation of easier-to-use ATMs. By the end of the year 63% of bank branches were total barrier-free, while 85% of ATMs had a flat front panel ensuring easy access. • In 2009 we launched an initiative with the aim of compiling a set of special conduct guidelines, to assist customer service staff in dealing with customers who have congenital or acquired disabilities. 	<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 311 members at the end of the year. 	<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 land, and the relevant provisions of the Hungarian Constitution (70/B). • 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; and	<ul style="list-style-type: none"> • The Bank abides by the laws of the land and the relevant paragraphs of the Hungarian Constitution (70/B). 	<ul style="list-style-type: none"> • HR6

6. should eliminate discrimination in employment and occupation.
- 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. To this end, since 2006 we have maintained a relationship with the National Alliance of Disabled Persons' Associations (MEOSZ), whom we keep informed regarding current job opportunities. In 2009 a total of 22 persons with acquired disabilities and five with congenital disabilities worked at the CIB Group.
 - We place emphasis on achieving equality between the sexes: the difference between men's and women's wages is considerably smaller than both the Hungarian and the European average, and in 2009 fell to 7% in the case of managers and 4% in the case of specialists, while for subordinate employees it was 13%. Our long-term objective is to fully comply with the principle of "equal pay for equal work".
- 4.8
• LA13, LA14

Environment

7. Business should support a precautionary approach to environmental challenges.
- We aim to use all our resources sparingly, and promote behaviour based on the best use of resources and the avoidance of waste and ostentation. We give priority to those solutions that take sustainability into account.
 - 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. As a result of this, in 2009 we prevented 22 tonnes of carbon-dioxide from being emitted.
- EN8, EN18, EN26
• FS1
8. Business should undertake initiatives to promote greater environmental responsibility; and
- In February 2009, both in the branches and in the central office building, we affixed "Switch me off if you're not using me!" stickers to electrical equipment (printers, computers, monitors, coffee makers), to remind our employees that we can all contribute to sustainable development by making more efficient and economical use of energy.
 - Also last year, on several occasions, we held week-long internal communication campaigns related to environmental issues. 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.
 - In its project financing operations the corporate division places particular emphasis on initiatives that have particular social and environmental significance. These include investments in energy efficiency, the recycling of waste, and the generation of energy from renewable sources.
- EN5, EN18, EN26

- | | | |
|---|---|---|
| <p>9. encourage the development and diffusion of environmentally friendly technologies.</p> | <ul style="list-style-type: none"> • We endeavour to assume a role in the promotion of environmentally sound energy use, to which end we have, for many years, supported the efforts and work of the non-governmental organisation Energia Klub (Energy Club). | <ul style="list-style-type: none"> • EN5, EN18 |
|---|---|---|

Anti-corruption

- | | | |
|---|--|--|
| <p>10. Business should work against corruption in all its forms, including extortion and bribery.</p> | <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 has received training in the prevention of money laundering, and regarding the subject of conflicts of interests, through the e-learning interface (MultiLearn) accessible via the internal network. During the year, employees successfully passed 29 644 exams in 81 different subjects, with an average score of 89%. | <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 organization about the relevance of sustainability to the organization and its strategy	
1.2	Description of key impacts, risks, and opportunities	
2	G3 profile disclosures	
2.1	Name of the organisation	
2.2	Primary brands, products and/or services	
2.3	Operational structure of the organisation, including main divisions, operational companies, subsidiaries and joint ventures	
2.4	Location of the organisation's headquarters	
2.5	Countries where the organisation operates	
2.6	Nature and legal form of ownership	
2.7	Markets served	
2.8	Size of the reporting organisations: number of employees; net sales; total capitalisation broken down in terms of debt and equity; quantity of products manufactured, or value of services provided	
2.9	Significant changes in size, structure or ownership, during the reporting period	
2.10	Awards and prizes received during the reporting period	
3	Report parameters	
3.1	Reporting period	
3.2	Date of most recent report	
3.3	Reporting cycle	
3.4	Contact point for questions regarding the report or its content	
3.5	Process for defining report content	
3.6	Boundary of the report	
3.7	Presentation of any specific limitations on the scope or boundary of the report	
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	
3.9	Data measurement techniques and the bases of calculations	
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	
3.12	GRI Content Index	
3.13	Policy and current practice with regard to seeking external assurance for the report	

4	Governance, Commitments and Engagement	
4.1	Governance structure of the organisation	
4.2	Whether the Chair of the highest governance body is also an executive officer	
4.3	The number of members of the highest governance body that are independent	
4.4	Mechanisms for shareholders and employees to provide recommendations for direction to the highest governance body	
4.5	Link between compensation for members of the highest governance body, senior managers, and executives, and the organisation's performance	
4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social issues	
4.8	Internally developed statements of mission or values relevant to economic, environmental and social performance	
4.9	Procedures of the highest governance body for overseeing the identification and management of economic, environmental and social performance	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	
4.13	Memberships in associations (such as industry/sector associations) and/or national/international advocacy organisations	
4.14	List of stakeholder groups engaged by the organisation in any form of dialogue	
4.15	Method and principles for selection of the stakeholder groups	
4.16	Approaches to stakeholder engagement	
4.17	Key topics and concerns that have been raised through stakeholder engagement	
5	Management approach	Typically described in the introduction to the individual sections
EC	Economic performance indicators	
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	
EC4	Significant financial assistance received from government	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation (national data available)	
EC6	Proportion of spending on locally-based suppliers	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	

LA		
Labour practices and decent work		
LA1	Total workforce by employment type, employment contract, and region	
LA2	Total employee turnover	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	
LA4	Percentage of employees covered by collective bargaining agreements	No collective bargaining agreement
LA7	Rate of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	
LA8	Education, training, counselling, prevention and risk-control programs in place regarding serious disease	
LA10	Annual average number of training hours per year per employee by employment category	
LA11	Programs for skills management and lifelong learning	
LA12	Percentage of employees receiving regular performance and career development reviews	
LA13	Composition of governance bodies and breakdown of employees by gender, age group, minority group membership and other indicators of diversity	
LA14	Ratio of basic salary of men to women by employee category	
HR		
Human Rights		
HR6	Measures taken to contribute to the elimination of child labour	Compliance with the relevant passages of the Constitution of the Republic of Hungary.
HR7	Measure contributing to the elimination of forced or compulsory labour	Compliance with the relevant passages of the Constitution of the Republic of Hungary.
PR		
Product responsibility		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	
PR7	Fines incurred for non-compliance with ethical codes related to marketing communication	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	

SO		Society
SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	
EN		Environmental performance indicators
EN3	Direct energy consumption by primary energy sources	
EN4	Indirect energy consumption by primary energy sources	
EN5	Energy saved due to conservation and efficiency improvements	
EN8	Total water withdrawal by source	
EN16	Total direct and indirect greenhouse gas emissions by weight	
EN18	Initiatives to reduce greenhouse gas emissions, and reductions achieved	
EN22	Total weight of waste by type and disposal method	
EN26	Initiatives to mitigate environmental impacts of products and services	
FS		Indicators specific to the financial sector
FS1	Policies with specific environmental and social components applied to business lines	
FS5	Interactions with clients and business partners regarding environmental and social risks and opportunities	
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	
FS14	Initiatives to improve access to financial services for disadvantaged people	
FS16	Initiatives to enhance financial literacy by type of beneficiary	

Assurance Certificate

Assurance Certificate

Assurance Certificate

Assurance Certificate

About this report

Reporting period: calendar year 2009

Date of previous report:

July 2009 (comprehensive report – GRI B+)

November 2009 (brief report, Good CSR program)

Reporting cycle: annual

GRI application level: B+

The report contains information regarding the CIB Group's organisational units and subsidiaries in Hungary. In all cases the data is group-level data, except where specifically stated otherwise. When determining the content of the report we relied to a significant extent on the comments and expectations expressed by the panel of stakeholders in the process of giving feedback on our 2008 report - and thus indirectly on our sustainability performance - in March 2010. A summary of the findings of the stakeholder panel is contained in the Annexes.


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

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

Our economic data has been stated in accordance with the provisions of the currently effective Accounting Act and the requirements of the Intesa Sanpaolo Group, while the social and environmental information is from the company's internal data recording system. Unless indicated otherwise, the figures have been arrived at through measurement or calculation. The report only contains restatements 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 we had possibility, we tried to find benchmarks as well, but there are very few data of this kind available on national and international level. Descriptions of the data measurement techniques applied, and the bases for calculation, as well as the reasons for any restatements of data disclosed in previous are specified in the detailed description of the given data item.

Similarly to last year, we regarded it as particularly important to seek external assurance for this report. Therefore we have ensured that our reporting process fulfils the criteria for accreditation in compliance with the highest professional standards. We determined the final form of the report taking into account the preliminary comments of the external assurance company. The assurance certificate is contained in the appendix to this report.

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

		2002 In Accordance					
		C	C+	B	B+	A	A+
Mandatory	Self Declared						
	Third Party Checked			Report Externally Assured			
	GRI Checked				Report Externally Assured		Report Externally Assured

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