

SUSTAINABILITY REPORT 2018

A WORLD OF REAL POSSIBILITIES



CIB BANK

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EXECUTIVE MESSAGE

Since 2005, every year CIB Group has prepared its sustainability report in line with the GRI international reporting guidelines. From 2018, this is supplemented by the shorter non-financial report prepared for the financial statements.

The CIB Group has organically integrated the fundamental principles of sustainability into its basic operation and corporate culture, and it is along these lines that we carry out our various tasks, because just like our parent company, the Intesa Sanpaolo Group, we believe that the best practice is for these to be reflected in the processes and day-to-day operation of an organisation.

In 2018, CIB Bank, hand in hand with its parent company Intesa Sanpaolo Bank Group, established the fundamental strategic directions and objectives of the period until 2021. Accordingly, the CIB Group's key aim is to implement digital transition, and to simultaneously restructure the branch network, boost sustainable lending, improve cost-efficiency and increase revenues as well as to complete the dismantling of non-performing loans while maintaining high credit quality. With solid support from our parent bank, the main points of focus continue to include our efforts to be a bank that provides our highly discerning retail and corporate customers with services that always stand out from the crowd. Customer experience and value creation, innovation and profitability. These are the four terms that best sum up our corporate philosophy and credo. We believe that long-term sustainable growth can only be achieved through the fulfilment of these objectives and the representation of these values.

In the course of our operation last year, we continued our projects aimed at retaining our staff. There was considerable effort made to support the professional development of employees, and to enhance their digital knowledge and commitment in alignment with our business objectives. While digitalisation greatly supports our efforts to provide even higher standards of service to our customers, being available to our customers as an ethical bank is an integral part of our corporate culture. We have been launching numerous environmental protection programmes for years and we also participate in energy efficiency initiatives, because as a responsible company, we consider efforts to reduce harmful environmental effects to be extremely important. Our colleagues regularly participate in various volunteer programs, and year after year we are able to help out thousands of people in need and help thousands of children in becoming financially aware adults.

As in previous years, we have prepared our report in compliance with the guidelines of the Global Reporting Initiative (GRI), but this we applied the most recent standard. The report, which is now shorter and more focused, contains the essential topics, examining them primarily from the point of view of our main stakeholder and our report's target group, the customers. For the eighth year running, our report also describes the fulfilment of the principles set out in the UN Global Compact. Please take the time to read carefully through our report and share your thoughts and comments with us, so that by taking them into consideration we can perform even better than before to the satisfaction of all our stakeholders.

Best regards,

Dr. Pál Simák

Chief Executive Officer, Chairman of the
Management Board

ABOUT THIS REPORT

The report contains information regarding the CIB Group's organisational units and subsidiaries in Hungary. Data is always group-level; when it is not, we will note this separately. When determining the content of the report, we relied heavily on the results of various consultations held with external and internal stakeholders during the year, and determination of the material aspects was performed in compliance with the GRI standard. The report primarily aims to give the CIB Group's customers an overview of the organisation's performance and operation, keeping sight of the issues and questions that interest and affect them the most. On this basis, in addition to the main results related to strategy and corporate governance, it examines three major themes in detail:

- Customer focus
- Colleagues
- Beyond business

These three main themes are also what give our report its structure. The three main sections follow the same structure: starting with an explanation of how the given theme fits in with our strategy, then presenting our main results and challenges of 2018, the extent to which last year's objectives were fulfilled, and our new undertakings. For our other stakeholders, we have chosen other channels via which to present our sustainability results. More information on our responsible operation can be found in the <https://www.cib.hu/fenntarthatosag> section of our website.

Reporting period: calendar year 2018

Date of previous report: June 2018 (GRI G4 "in accordance core")






Reporting cycle: annual

GRI application level: GRI standard "in accordance core"

Validity of data: Figures are data from 31 December 2018, unless we noted it otherwise.

More details about the limits of this report of the year 2018, essential matters and process of defining them, as well as the GRI index, are available in the annexes.

At the end of the individual sections dealing with the three main themes, we show the current status of our undertakings of last year with the following symbols:

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

OVERVIEW

With 40 years of expertise in universal banking, CIB Bank Zrt. offers a full range of commercial banking and investment services, supplemented by products and solutions offered by its affiliates (CIB Leasing, CIB Factor and CIB Insurance Broker). With a branch network present in all parts of the country, CIB Bank Zrt. offers its services to nearly 423,000 customers, while continuously seeking innovative solutions tailored to the needs of its customers. The services of CIB Bank Zrt. are available to businesses, institutions, municipalities and sole traders, as well as to retail customers. Besides the bank's branches, customers also have an exceptionally wide variety of electronic channels to choose from, through which to manage their finances quickly and conveniently, such as CIB Internet Bank, CIB Bank Online, the CIB Bank Mobile application, or the eBroker information and securities trading system.

Name:	CIB Bank Zrt.
Territory of operation:	Hungary
Registered office:	Budapest
Form of incorporation:	Privately-held Joint Stock Company (Zrt.)
Ownership structure:	Intesa Sanpaolo S.p.A., 100% owner

Intesa Sanpaolo

One of the most important banking groups in the euro zone	4,200 branches, 11.9 million customers
Subsidiaries in 12 countries, 7.5 million customers, 1,100 bank branches	
Market-leader in Italy	Central and Eastern Europe is a strategically important region, growth is a priority

CIB Group

Number of employees:	1,944
Number of customers:	422,470
Proportion of spending on locally-based suppliers:	96.6%
Distributed added value:	HUF 52,960 million
Our activities:	Commercial banking, leasing and factoring services
Our nationwide presence:	detailed list of branches can be found on https://net.cib.hu/index.xml?defaultLanguage=english



STRATEGY AND PRIORITIES

In 2018, CIB Bank, hand in hand with its parent company Intesa Sanpaolo Bank Group, established the fundamental strategic directions and objectives of the period until 2021. In line with this, as a universal service provider CIB will continue to operate serving all customer segments in the coming years by substantially improving its operational efficiency, while holding on to long-term profitable operation, through increased business volumes and digitalisation covering the full spectrum of banking operation and the optimisation of sales channels.

The pillars of the strategy – in line with the key strategic objectives of Intesa Sanpaolo Bank Group's 2018-2021 business plan – are as follows:

- The implementation of the digital transition permeating the whole of the bank parallel to the transformation of the role and tasks of the physical network.
- Increasing revenues in an increasingly competitive environment in the interest of sustainably profitable operation, by ensuring that an increasing proportion of revenues is derived from the fees and commissions of additional services provided to customers.
- Improving cost efficiency by way of digitalisation and the optimisation of sales channels. In this context, process transformations related to digitalisation, the increasing of the ratio of online sales, the simplification of sales activities and certain other activities supporting sales through the increased involvement of third partners and agents, as well as the directing of released capacities to the performance of greater added-value activities will be implemented.
- The conclusion of the process aimed at reducing the portfolio of non-performing loans, and maintaining loan quality.

In its growth strategy, CIB has set itself the goal of being the primary bank for its customers. The main component in this approach is to simplify bank processes, improve customer satisfaction, and digitalisation, which is set to have a crucial role in sales and the service model.

As part of the strategy, CIB Group has established a Central-European competence centre together with VUB Bank, the Slovakian subsidiary of Intesa Sanpaolo Bank Group. This strategic cooperation aims at utilising cross-border synergies by sharing best practices, increasing operational efficiency and by exploiting the banks' complementary strengths. The objective of the initiative is ultimately to improve the financial performance and enhance the business performance of the two banks, and to solidify their respective market positions by way of the better utilisation of business opportunities pertaining to common corporate customers.

VALUE CREATION

In order to achieve the objectives set out in the 2018-2021 strategy, it is essential for employees and staff to offer sound proposals that make good business sense, taking customers' interests into account. The wide range of products in the portfolio gives up-to-date solutions to the responsible decision-makers. Digitalised corporate governance systems, optimised for efficiency, help to ensure stable day-to-day operation. Our community engagement and our commitment to employees make it easier to achieve a healthy work-life balance.

GUARANTEES OF STABLE VALUE CREATION

We have been operating in the Hungarian financial market for 40 years. Stable operation requires a prudent, effective corporate governance system that supports the employees in making the right decisions. Within our corporate governance framework, which is also strongly influenced by the effective statutory provisions, the following elements are of key importance in the interest of ensuring stable operation:

✓	Assessment and management of the risks of the operating environment, use of an advanced compliance system
✓	Corporate governance tools and processes that support responsible and ethical operation
✓	Continuous focus on efficiency and efforts to ensure sustainably profitable operation
✓	Stakeholder dialogue with the aim of mapping and shaping the expected risks and expectations
✓	Conscious efforts to develop financial skills in society
✓	Balanced pricing policy that optimises market effectiveness and responsible decision-making
✓	Strict lending principles: we don't simply sell products, we provide proactive advisory services and product offers that are tailored to fit in with our customers' business models, and which take into account the size, profile, current financial situation, resilience and long-term plans of each business. Our conservative lending policy and transparent, stringent lending principles ensure legal compliance and a balanced credit portfolio. We attribute great importance to providing comprehensive information to our partners, to allow them to make thoroughly informed decisions on whether our offer is valuable from a business point of view, and whether they can afford it.
✓	Almost all our staff have indefinite-term employment contracts, which for us is also reflective of a committed employment relationship that can be planned for in the long term. To meet our seasonal labour requirements, we also employ workers under a contract staffing arrangement. The proportion of employees working part-time increased slightly since last year, this is how we help our employees to find the ideal work-life balance.
✓	Responsible employment

ECONOMIC VALUE GENERATED AND DISTRIBUTED

HUF millions	2015	2016	2017	2018
Total value generated	80,562	78,705	80,215	79,310
Total consumption	70,153	26,339	19,201	27,806
Gross value added from core business activity	10,409	52,366	61,014	51,504
Revenue from sale of tangible assets	-589	3,180	3,367	1,456
Total gross added value created and distributed	9,820	55,546	64,381	52,960

Based on data as at 31 December 2018

HUF millions	2015	2016	2017	2018
Shareholders (dividend)	0	0	0	0*
Employees (wage payments)	23,823	22,785	21,779	21,219
State (direct and indirect taxes)	23,478	16,960	14,333	14,243
Third sector (donations and contributions)	36	27	21	21
Corporate sector (profit reserve and depreciation)	-37,517	15,773	28,249	17,477
Total economic value distributed	9,820	55,546	64,381	52,960

*Dividend was paid in 2019 (in a value of HUF 10 billion); Based on data as at 31 December 2018



Based on data as at 31 December 2018

The domestic banking system was characterised by stable profitability and capital position in 2017, and the upturn continued through 2018. The customer loan portfolio started to increase, while the banks' liquidity and capital positions remained steady. The domestic operating environment of the banking system improved even further. Rising consumption and investment demand is generating steadily increasing credit demand in both the corporate and household sectors.

It is important for us to advance ethical behaviour within our industry by exhibiting fair market and competitive conduct, leading by example, and through participation. We adhere to the self-regulating approach adopted by the industry and apply this to our own operations, while acting ethically towards our competitors. Fair competitive market conduct serves as the basis for our pricing policy.

To ensure stable operation, we need to manage risks throughout the entire service chain. For this reason, responsible procurement forms the basis for our operation. In addition to legal compliance, building on the principles of transparency and fairness, we endeavour to choose forward-looking, environmentally friendly solutions while maintaining high quality and efficiency.

FINANCIALLY AWARE CUSTOMERS

It is of outstanding importance for our Bank to provide its customers with a real opportunity so that they take responsible and conscious financial decisions in full knowledge of their possibilities and the risks involved. By recognising our responsibility in shaping the financial awareness of our environment, we are not only actively involved in programs that focus on strengthening financial culture, but also launched our own initiative two years ago.

Financial education and familiarisation with financial culture cannot be started early enough and schools play a decisive role in this respect. We help them with this process by taking part in two programs that focus on developing the financial awareness of primary and secondary school students.

From the very beginning, our bank has participated - at the initiative of the Hungarian Banking Association - in the Pénz7 (Money7) program series launched with the professional support of the Pénziránytű Foundation, thereby joining the European Money Week. This was the case in 2018 as well, when our colleagues held classes for students aged 10-17 on topics entitled "Know More About Loans" and "Business Ideas and Cooperation".

Two years ago, at the initiative of our parent bank Intesa Sanpaolo, we launched our financial education program related to the World Savings Day organised on 31 October. As part of this program, our bank's volunteers organise educational sessions on the importance of savings across the country for a month. In 2018, our educational program reached nearly 1,000 children aged 10-18, enrolled in primary and secondary education.

CORPORATE GOVERNANCE

We wish to achieve our goals while observing, and putting into practice, the principles of sustainable development and responsible operation. Our operation is founded on our seven core values, which also support sustainability, which are described in detail in the sustainability section of our website. The fulfilment of these requirements is assured by our advanced corporate governance system and decision-making processes (see: Annexes / Decision-making bodies).

MAIN INDICATORS (31 December 2018)

Proportion of people who participated in distance learning and examination in money-laundering prevention topics (%): 82%

Number of participants in personal training in money-laundering prevention topics (number of participants): 330 people

Proportion of people who participated in distance learning and examination in security awareness topics (%): 99%

Ethical company, responsible operation. As a company that operates in compliance with strict ethical norms, we have put in place a number of mechanisms that reveal risks that have previously, due to their nature, remained hidden; these include ethical risks. The purpose of these procedural rules is to enable victims in ethics cases to ask for help, to consult and request advice, before taking action if needs be, and to do so in an anonymous manner. An Ethics Committee operates at the CIB Group, and its chairperson, who also functions as the ethics ombudsman, is the Bank's CSR head. In 2018 a total of six ethics complaints were received.

Number and types of ethics complaints

2015 (4)	2016 (3)	2017 (0)	2018 (6)
<ul style="list-style-type: none"> Employee's conduct Manager's conduct 	<ul style="list-style-type: none"> Employee's conduct Customer complaints 	No ethics reports were received	<ul style="list-style-type: none"> Customer complaints Employee's conduct Manager's conduct

The Code of Conduct is a means of articulating, in the form of regulations, the values enshrined in the Code of Ethics. The rules ensuring ethical conduct, with a special focus on corruption-free and discrimination-free operation, are incorporated into CIB Group's regulatory system as a policy approved by the Board of Directors, the breaching of which may have consequences under labour law. The key areas of our responsible corporate governance also include the efforts to combat money laundering, the avoidance of conflicts of interests, risk management and internal auditing, all of which are overseen by named responsible persons. More details about responsible corporate governance, the operation and diversity of the ethics system, and past complaints can be found here on the website.

What is the task of the various functional areas?

Compliance	The objective of the compliance function is to ensure that the activities of CIB Group are within lawful frameworks, and that the Group's operation complies with legal provisions. Its task is to identify, evaluate and manage compliance risks (e.g. the risk of supervisory or official sanctions, substantial financial loss or deterioration of goodwill/good reputation), in particular in the following regulatory areas: conflicts of interest, market abuse, consumer protection, investment services.
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, and in this context to evaluate and support the efficiency of the organisation's risk management, governance and control procedures with recommendations. The task of internal audit is to evaluate the control system serving to manage risks, and to make development-related recommendations.
Legal Department	The purpose of the legal department is to ensure the legal framework of the activities of CIB Group, to ensure that its operation, processes and products are elaborated and developed in line with legal provisions, to prepare the internal regulations required to accomplish the above, to provide assistance in amending internal rules, to represent and protect members of CIB Group before the authorities, courts or any other third parties, and to ensure data protection compliance.
Anti-money laundering functional	The task of the anti-money laundering functional area is to supervise banking activities related to preventing and hindering money laundering and terrorist financing, and compliance with international financial sanctions.

RESPONSIBLE MARKETING

CIB Group supports the achievement of strategic goals with the visual appearance and slogan used in its marketing materials, “Real Opportunities”. Our existing and potential customers learn about our products and services through our marketing activity. It is important for us that we provide comprehensible and proper information in a way that generates interest in our products and services.

We finalise our marketing communication materials following consultation with the Legal and Compliance departments, in the interest of ensuring responsible operation and legal compliance. During our advertising campaigns we take both ethical and sustainability guidelines into account. The CIB Group does not advertise in any media organs that give space for the expression of any extreme views.

Consistently with the rules of responsible communication, and in compliance with the statutory provisions, we do not offer our products to minors, and do not advertise in public institutions where the education or training of people under 18 years of age takes place.

The certificate from the Hungarian Self-Regulating Advertising Body (ÖRT) regarding the self-regulation of advertising can be found among the annexes.

RESPONSIBLE SUPPLIER POLICY

In keeping with the principles of our parent bank Intesa Sanpaolo, ethically-sound conduct is also reflected in our procurement processes as an obligation associated with the contracts that we conclude, according to which our suppliers must warrant that before signing the contract they have read our Code of Ethics, understood the parts of it that relate to them (“Guiding Principles for our Stakeholder Relationships” and “Guiding Principles for our Supplier Relationships”), that they agree with its content and will fully comply with its provisions in the course of their own operation. At the same time, our suppliers have the option to submit reports related to ethical issues through the etikaibejelentes@cib.hu email address.

In addition to the rules of ethical behaviour, the agreements concluded with our suppliers now also include paragraphs related to GDPR and anti-corruption, in accordance with our internal and external regulations.

ENGAGING WITH OUR STAKEHOLDERS

In the course of our stable operation and the implementation of our trust-based growth strategy that offers real opportunities, maintaining a continuous dialogue with our stakeholders is essential. We regard as our stakeholders all those who may be affected by the activities and operations of the bank, and/or who may have an effect on our organisation. Of these, the following three groups are of critical importance from the perspective of our operation: employees, customers and the owner. Besides these three priority groups, we have identified further stakeholder groups, which are: suppliers, civic organisations, local communities and professional organisations. Our definition of community relations includes our relationships with professional organisations (associations, trade federations, chambers) and the third sector (non-profit organisations, foundations, local communities), and the members of the local communities themselves. We come into contact with our stakeholders using various communication tools and via many different channels. The most important of these are also highlighted in this report, while a more comprehensive overview is available on the [website](#).

CUSTOMER FOCUS

At the centre of the strategy lie our customers: our objective is for the Bank to become the primary financial service provider of its customers through excellent customer relations. This is the main driving force behind our corporate governance, our day-to-day operation, and the changes that we undergo.

THE GUARANTEES OF CUSTOMER FOCUS

A high level of customer focus is ensured not only by the expertise of our employees and the incentives system and corporate culture, which obviously have a defining influence on their attitudes, but also by the prudent and effective corporate governance system. Within our corporate governance framework, which is also strongly influenced by the effective statutory provisions, the following elements are of key importance in the interest of ensuring customer focus:

✓	Assertive representation of customers' interests at the top levels of decision-making, when determining our strategy and planning the actions serving its implementation
✓	In our pricing policy, besides fair competition and market effectiveness, we also take into account the chances of our customers, and while taking care to make responsible decisions we also aim to make our products and services accessible to a wide range of our customers so that nobody is excluded due to their disadvantaged situation
✓	Stakeholder dialogue with the professional and civil-society organisations that represent the interests of customers
✓	Our compliance system, which aims to ensure full compliance with the statutory provisions serving to assure customers' welfare
✓	Self-regulation for responsible and ethical marketing and sales activities (see annex for certificate)
✓	HR systems and processes that ensure the customer focus of our employees in the course of their day-to-day work (corporate culture, incentives system, training, diversity)

As a consequence of the economic crisis, the demand for consumer protection in Hungary has strengthened on the part of both society as a whole and the legislators. In response to these expectations, the CIB Group has previously developed **procedures that reinforce the protection of consumers**. A dedicated specialist has been assigned to oversee this task, ensuring that consumers' interests are taken into consideration in the course of day-to-day operations, and that this attitude becomes an integral part of our corporate culture.



We celebrated the 11th anniversary of our "100% Attention" program. Customer satisfaction surveys analysing customer satisfaction showed, comparing our bank with competitors, that:



Our customer satisfaction and loyalty indicators have risen



Perception of the quality of our products and services is outstanding

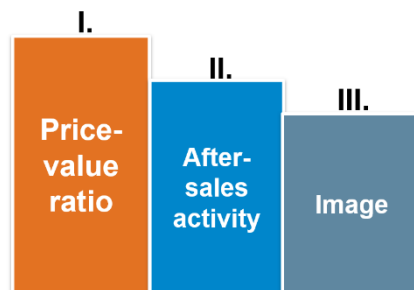


Our digital channels – the mobile application in particular – are increasingly popular

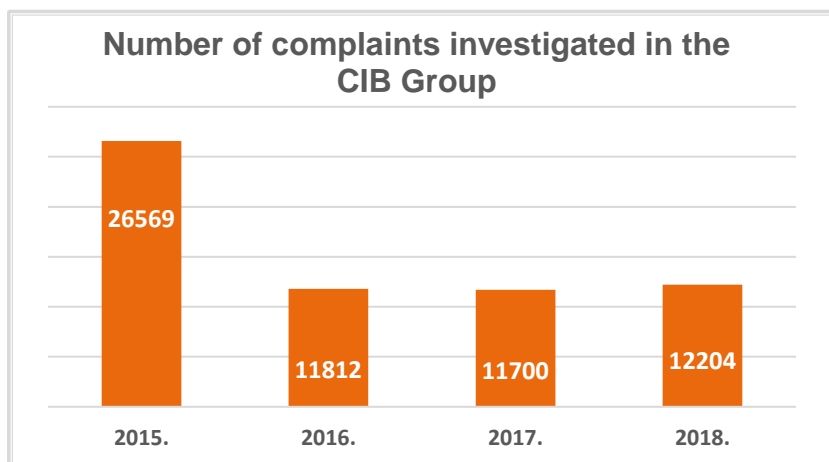
OUR CUSTOMERS' VALUES

For more than 10 years our bank has been committed to studying customer satisfaction. Every day in our organisational functioning customer-oriented thinking plays an important role, and our financial services are developed in line with this. In 2018 as well, we used of a third-party research company to analyse our customers' opinion about satisfaction and loyalty and we obtained the following results:

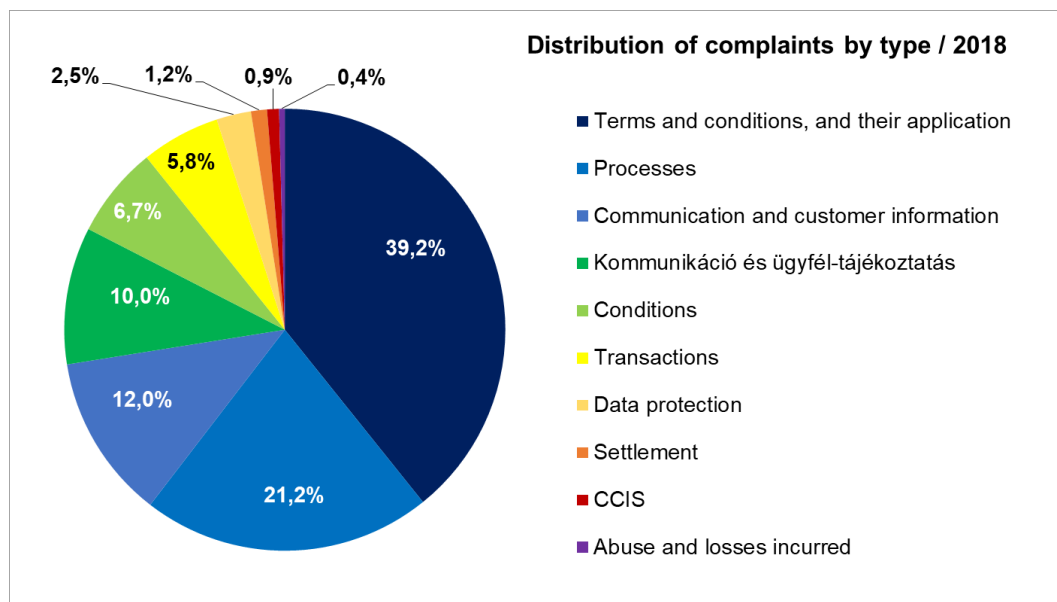
The new trend among our retail customers: Price-to-value ratio, After-sales activity and Image have the greatest impact on satisfaction.



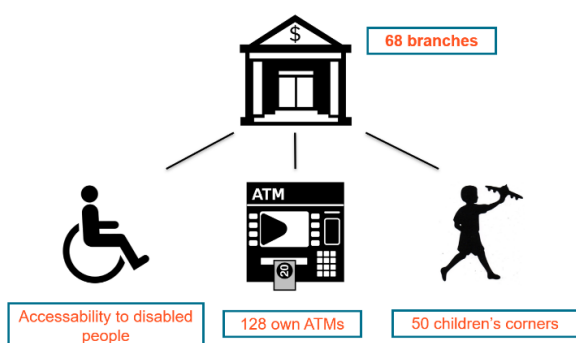
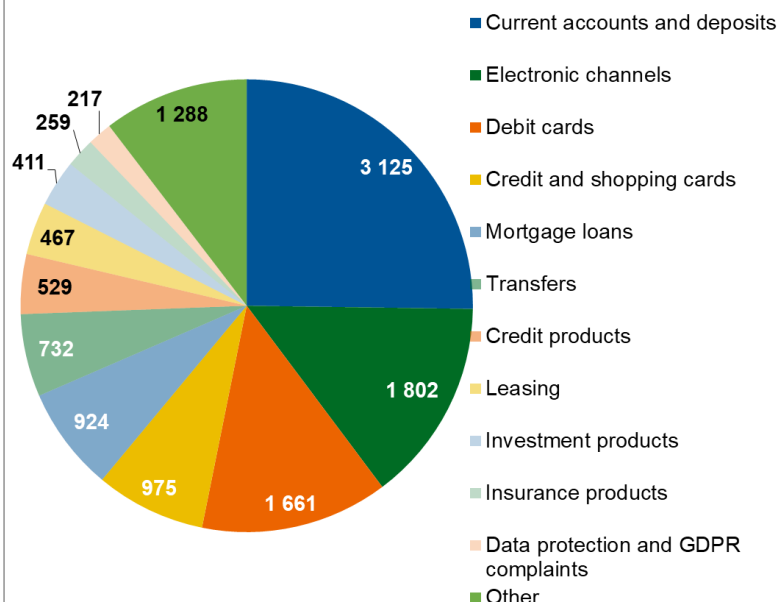
Values considered to be important by retail customers



Based on data as at 31 December 2018



Based on data as at 31 December 2018

Distribution of the number of complaints by product in 2018**EQUAL TREATMENT STARTS WITH ACCESS**

When designing our bank branches we take care to ensure that they are accessible to all customers, and that banking in them is as easy as possible

In 2018, our program entitled '100% Attention' was expanded to include new features, which help us focus on and track the satisfaction of our customers. We strive for long-term, good business relationships with our customers, and we constantly work to maintain the quality of these relationships.

In 2018, too, we launched our customer satisfaction surveys in several customer groups (retail and small-business): in addition to assessing our market position, we also contacted our own customers in the surveys.

Our comparison to our competitors always gives useful information for us to position ourselves on the market and grasp the opportunities for renewal. The result of our surveys among our own customers gives us information which helps us know our customers' needs and habits better.

From the survey results it can be highlighted that the level of our customer satisfaction and loyalty indicators continues to confirm our efforts: our general satisfaction indicators and level of our meeting expectations have increased both among private individuals and small businesses. Willingness to recommend has also increased, showing that our customers see CIB Bank's services as worthy of recommendation.

Besides our satisfaction surveys, we paid special attention to managing incoming complaints and inquiries. It is very important for us that in the case of these inquiries, we seek the solution through a fair approach; we support this approach in the course of the year through trainings and expert assistance within the CIB Group organisation. Although the number of complaints we received exceeds that of 2017, we believe that the customer-oriented approach of previous years will deliver the expected results: people submitting complaints turn to us with confidence and ask for a solution to their problem.

From 2018, our activities related to collecting and managing customer comments were expanded to include a new “tool” called the “CIB Mérie Program” (“CIB Gauge Program”). This new feature supplements our basic research and accepts customer evaluations and opinions on a daily basis. If our customers contact or get in touch with our bank in any way – for instance, they manage their finances at a branch, execute transfers through the CIB bank mobile application or even if they open a current account through the online portal – we contact them by email, and ask them to provide opinions relating to our services. In addition to giving ratings on a scale of 1 to 5, they may also send us a written assessment by way of a microsite, which we process and evaluate and, if required, we contact these customers through our bankers working at branches or through the CIB24 telephone call centre. The latter feature of the programme – establishing contact and responding to feedback – is unique in the market, as it clearly shows that collecting comments is not only important to us, but that we also respond with solutions, suggestions and help to these comments. Based on initial experiences, we can state that a large number of customers make use of the option to provide feedback, and welcome our bank getting in touch.

The clear purpose of our product developments was to be available as easily as possible and to the broadest possible category of customers. We received feedback from our customers on the further developments of our digital channels also from our surveys, which confirm the success of our innovations and the direction of our future developments. In addition to our award-winning mobile application and internet banking solutions, from 2018 we have been offering customers who do not have a relationship with the bank a new, fully online banking solution: they can request a personal loan or open a bank account via an online process with the help of a video call through our website.

Our renewed branches operating on the basis of a new model, incorporate a significant part of the digital changes. It is essential that we keep a close eye on innovations not only among our customers, but also among our employees in these branches. We consider it extremely important to measure the familiarity with the new model, to monitor customer responses to innovations, which we analyse, interpret, and use as a basis for making business decisions before introducing further changes.

RESPONSIBLE CUSTOMER RELATIONSHIPS

We offer numerous opportunities for our customers to bridge their payment difficulties, for example:

- In the case of loans unsecured by property, there is a possibility to reduce monthly loan payments by extending the loan term. Through our CIB Debt Consolidation Loan II product, several loans unsecured by property or credit card debts or overdraft debts can be consolidated and settled in a longer period of time with equal monthly loan payments.
- In the case of loans secured with real estate, we recommend the CIB Optimal Payment Facility Program, in which, in addition to the extension of the loan term, there is a possibility of a 25% reduction of monthly payments for 5 years. If this is not a solution of a sufficient level for our customer, there is a possibility to apply for a custom rescheduling plan, providing adequate proof of the cause of difficulties with the loan payments.
- Reacting flexibly to changes that result in payment difficulties for customers is essential for our Bank. We have established a special unit within the bank, in the interest of preventing future risks and ensuring their timely management.

Factors in responsible customer relationships

Regular communication	We maintain personal contact with our customers and engage in continuous dialogue.
Trust	Customers should feel secure, and should have confidence in their financial contact person.
Partnership	We establish stable, crisis-proof partnerships with dependable professional support and open communication.
Value creation	We develop long-term financial solutions that create real value.
Simplicity	Drawing on the synergies within the banking group, we give preference to the simplest and most transparent structures and solutions.

PRODUCT PORTFOLIO AND DIGITALISATION

In the retail segment, CIB aims at boosting the volume of loan placements by developing its other commercial channels, in particular the mobile application, the online bank and the online product application processes available through the website. In terms of savings products, CIB places a strong emphasis on offering alternative savings solutions in the extremely low interest environment. In respect of premium banking services, the objective is to continuously expand the range on offer, and to provide high-standard asset management and insurance products and excellent, standardised banking services through electronic channels and the branch network. Serving the millennial generation is a primary focus of the strategy, where CIB is looking to increase its activity by developing new digital products and services and through cooperation with institutions of higher education. An element of CIB's business strategy is to strengthen its position in the corporate segment through customer acquisition and growing business volumes. Through the renewal of the corporate online bank and front-end system and the simplification of processes, the bank's objective is to ensure that SME and large corporate customers execute an increased ratio of their transactional, deposit and foreign exchange turnover at CIB. The strengthening of treasury services is also assigned significant emphasis. Beyond the above, in the years ahead CIB would like to take even greater advantage of the synergies that exist with its parent company, Intesa Sanpaolo, with a view to strengthening its presence in the multinational corporate sector.

We strive to minimise the negative environmental and social impact of our products and services.

- Risk management processes
- Decision-making process
- Comprehensive provision of information to stakeholder customers and partners
- Simplification
- A high degree of self-regulation of advertising

Digital innovation in 2018

Online personal loan application and account opening for new customers – revolutionary innovation from CIB Bank

In the second half of 2018, CIB Bank was among the first in Hungary to make fully online personal loan application and account opening available for new customers through its website, without the need for visiting branches or signing agreements delivered by courier. The popularity of the service is rising day to day.

Website

In the spirit of digital transition, CIB Bank renewed its website in 2018, and in addition to the above breakthrough online application option, the website also provides useful functions, a more transparent structure as well as an updated design. For the new website structure, CIB Bank placed equally great emphasis on the positioning of links and buttons as it did on customer-friendly wording: these represent the key to quick searches and easy information access. Clarity and understandability is also improved through useful supplementary content. Beyond the usual extra functions – such as booking appointments at branches, online message sending, lodging complaints or currency exchange – several other features were also added to the website. This includes the geolocation-based branch and ATM search function, or requesting to be called back (which option is available from both the main page as well from the sub pages). The personal loan and housing loan calculator has also been transformed on the website, with changes applied not only to content and menu items, but design as well. The new development is of course responsive, meaning that the platform has been optimised for all devices, including tablets and mobile phones as well.

CIB Bank Mobile Application

CIB Bank saw the 1000th personal loan application submitted through the mobile application in the first half of 2018, and this number has been increasing continuously since. Going through the process, automatic appraisal and disbursement of the requested loan amount into the customer's bank account at CIB Bank takes as little as 7 minutes. We added numerous new functions to our mobile application during the year: the app now allows for the management of investments and term deposits, it shows insurances, allows for SEPA transfers, and the name of the Dayposit function, which allows for the placement of lower-amount savings with practically a swipe of the hand, has been changed to #withSAVE. We also introduced a brand new function: with the #withPAY service – a pioneering solution in the Hungarian market – CIB Bank customers can initiate transfers between each other without knowing the recipient's bank account number, by simply

selecting the given partner from their phone's contact list. This requires the application allowing access to the contact list in advance. If the contacts include any persons who are also customers of CIB Bank and have registered for the service, this is indicated in the #withPAY menu item and to send transfers to them, customers need only to select the name, enter the amount and any comments, and the amount is instantly credited to receiving party's account.

Digital solutions at branches

In 2018, CIB Bank opened its first new-generation bank branch on Szent István körút. The essence of the new branch image approach, developed by the bank's parent company Intesa Sanpaolo, is that bank branches do not just serve the direct management of finances but can also be used as a kind of community space, where customers get a chance to chat, meet or even to do some work. Accordingly, these new branches mostly look like a living room, with a sofa and a large communal table, where anyone can sit down, not only those arriving to the bank to take care of their finances. Digital solutions allowing for executing simpler transactions are given priority in these new types of branches; using the tablets on the communal table, anyone can access their CIB internet bank or mobile application, and if they want, they can also ask the bankers for help to use them. For transactions requiring consulting – e.g. requesting a housing loan, investment – the branch has spaces providing different degrees of separation: there are semi-separated sections, where the furniture is arranged in a way to create the necessary confidential environment, and there are also fully separated meeting rooms available for maximum discretion. CIB Bank is also transforming the in-branch service model across its branch network: on arrival, customers are welcomed at the entrance by a staff member who help them find the easiest and quickest channel for whatever they need to deal with. The bank is introducing this service gradually at every branch. In addition, the bank has introduced special customer service for its retail clientele, assigning a relationship manager for as many customers as possible. In the spirit of digital transition, we made cash-desk transactions paperless at all our branches, and we have plans drawn up for 2019 to make other branch processes paperless as well. Customers can handle certain steps of the transaction on a tablet, then at the end of the process, they do not have to sign a paper, but an electronic receipt via the tablet, which the Bank sends them by e-mail or via the CIB Bank mobile application and CIB Bank Online.

DISTRIBUTION OF CIB GROUP'S CUSTOMERS BY TYPE (PERSONS)

Number of customers:	Persons
Retail	360,243
Corporate	62,227
Total	422,470

Based on data as at 31 December 2018

BREAKDOWN OF CIB GROUP CUSTOMERS BY AGE (%)

Breakdown of customers	%
0-32 years	18.5
33-42 years	21.3
43-52 years	25.2
53-67 years	22.5
Over 67 years	12.5

Based on data as at 31 December 2018

DISTRIBUTION OF CIB GROUP'S RETAIL CUSTOMERS BY DURATION OF RELATIONSHIP WITH THE BANK (%)

Breakdown of customers	%
0-1 years	5.4
2-4 years	10.4
5-7 years	6.7
8-10 years	18.4
11-20 years	56.0
20 years or more	3.1

Based on data as at 31 December 2018

RETAIL PRODUCT USAGE (INCLUDING MICRO-ENTERPRISE CUSTOMERS)

Product use	2015	2016	2017	2018
Retail loans (HUF billion)	343.0	298.7	290.2	348.3
Retail deposits (HUF billion)	510.7	482.4	500.5	597.3
Number of active bank cards	348,066	343,054	375,521	345,504
Number of customers with an active CIB Internet Bank subscription (persons)	282,164	287,165	301,730	312,977

Based on data as at 31 December 2018

CORPORATE PRODUCT USAGE

Product use	2015	2016	2017	2018
Corporate loans (HUF billion)*	567.2	461.0	472.4	527.3
Corporate deposits (HUF billion)	597.1	691.5	693.9	765.2
Number of active bank cards	5,107	4,987	4,981	4,575
Number of customers with an active CIB Internet Bank subscription (persons)	4,139	3,914	3,865	3,939

Excluding loans provided to members of the CIB Group.

*Based on consolidated IFRS data as at 31 December 2018

Products/services that the Bank Group offers to our customers:

✓	Investment products
✓	Transfers
✓	Credit and shopping cards
✓	Debit cards
✓	Credit products
✓	Current accounts and deposits
✓	Mortgage loans
✓	Insurance products
✓	Electronic channels
✓	Leasing
✓	Other

Key features of the Business Terminal:

- Information 24 hours a day
- Customisable to suit individual needs
- Can be installed on custom PC and network
- Can be used by multiple users at the same time with different access rights
- Independent and joint signatures
- Electronic signatures

With the end of the MNB's Funding for Growth Scheme, CIB Bank has placed new self-funded fixed-interest loan and leasing products on the market. The purpose is to support the corporate sector through funding with predictable interest rates in the long term as well. Based on experiences with the HUF fixed interest products, it is expected that EUR fixed interest products from own funds will be introduced in the second quarter of 2018.

The factor that makes business life more difficult both internationally and domestically is lack of trust between the parties, which typically arises from the default risk. Thus, services related to documentary transactions cannot be absent from the palette of commercial funding products, either, and they can help reduce these risks. We offer documentary products to our customers in a wide palette ranging from documentary collection order, through letters of credit and guarantees, to discounting export letters of credit.

For its corporate partners, our bank has developed a proprietary electronic banking system, known as Business Terminal (BT), so as to enable our customers to administer their banking affairs electronically, as conveniently as possible.

The other focus of CIB's medium-term strategy is financing the real economy, and accordingly, the Bank is developing further its range of products and services aimed at the SME segment. In addition to financing from own funds, it is our goal to actively participate in offering subsidised financing facilities (among others, in the refinancing programs of EXIM Bank and MFB). In addition to SME and large corporate loans and leasing services, CIB Group also offers factoring services to bridge the short-term liquidity deficits.

The alternative channels took on a greater role for our retail customers, with traffic continuing to increase on our online registration page, where customers can calculate their loan payments and ask to be called back, or request information or a personalised calculation by phone, then launch the application process. In our lending processes, we continue to take a prudent approach: the provision of advance information and explanations to customers is comprehensive, our risk management rules are in line with the statutory requirements, and when placing loans we follow the rules on responsible lending.

Our digitalisation developments make access to our services significantly easier.

FOCUS ON SMALL AND MEDIUM-SIZED ENTERPRISES

Testimonial

In recent years, the managers of CIB Bank's SME Leasing partners have been given the opportunity to present the secrets to their business success in the pages of relevant business media organs. These articles are published in national and local newspapers, as well as in the online media. Rethinking this initiative, in 2018 we launched a video series on our social media sites, where we present – in authentic fashion – our actual SME customers who have become successful with the help of CIB. We inspire domestic SMEs and, at the same time, we also assist our customers beyond finances: we promote them and their businesses. As part of the video series, in addition to SME managers, episodes were also produced with the involvement of the head of CIB's corporate business line as well as the bank's SME consultants.

Business breakfast

We have created a tradition of inviting our customers to national business events focusing on specific topics that we host every autumn and spring. The purpose of this initiative was to generate dialogue between the participants, and to help them take all the latest "best practices" on board. These events are an excellent opportunity for networking across the regions, between company managers and banking specialists, and they are also a superb platform for sharing valuable experience and exchanging tips, and for working together to find solutions to business challenges.

Professional conferences

Business line leaders and our Bank's macro analyst are regular speakers and panel discussion members, or simple attendees at relevant trade conferences where company representatives discuss the current topics shaping the business world in Hungary. The conferences provide an excellent setting for establishing dialogue with companies.

OUR GOALS AND PLANS – CUSTOMER FOCUS

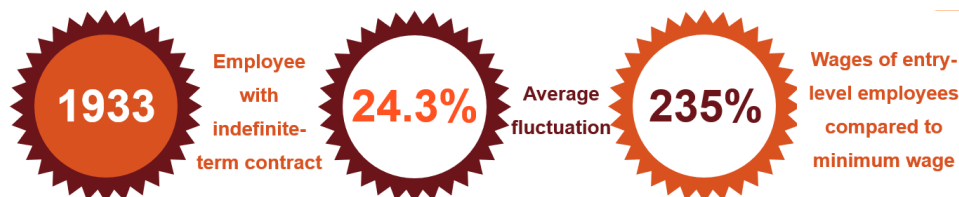
OUR GOALS AND AIMS – CUSTOMER FOCUS

	Commit	Completion
2018	<ul style="list-style-type: none"> Continuation of digitalisation, further increase of the customer experience Development of customer communications Continuation of responsible and ethical corporate governance Maintaining employee satisfaction at the high level of 2017 Introduction of a new website Further development of the CIB Bank Mobile application Introduction of a new branch model Opening new-generation branches Continue implementing paperless processes 	<ul style="list-style-type: none"> ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
2019	<ul style="list-style-type: none"> Opening additional new-generation branches Making the account-opening process at branches paperless Preparing the launch of the instant payment system Performance of tasks related to compliance with the new European Union directive on payment services (PSD2) Introducing the NFV-based payment solution in the mobile application 	

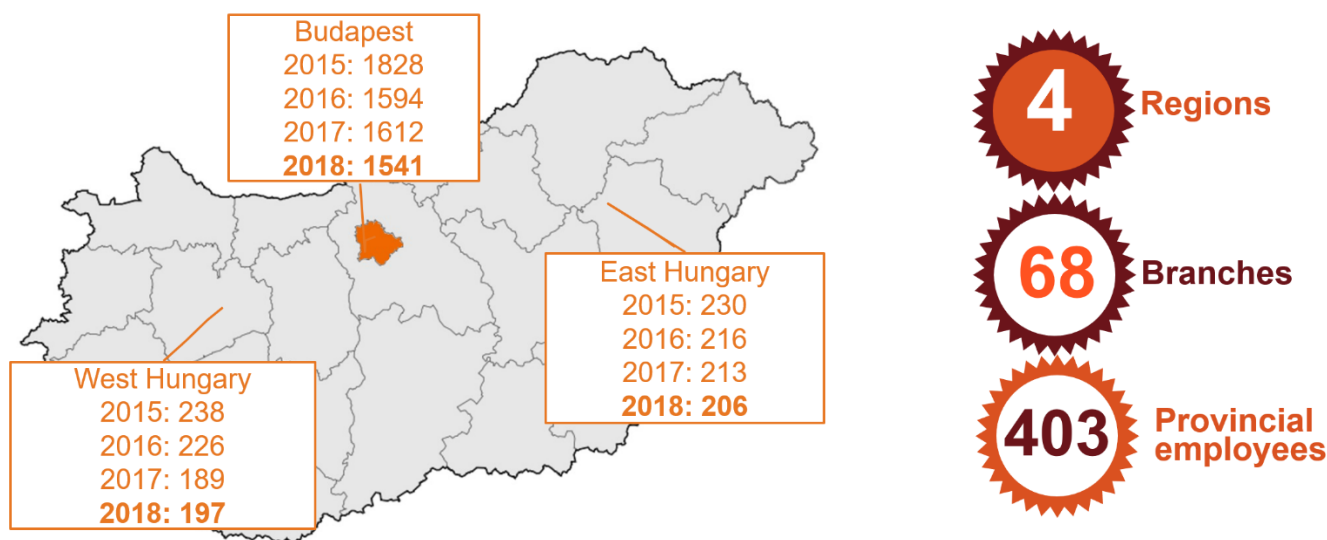
OUR EMPLOYEES

Our responsible employment principles and practices ensure a stable community of employees and the specialist knowledge needed for the bank group's operation, which not only boosts personal satisfaction, but also correlates directly with the quality and speed of customer service.

As a responsible employer, almost all our staff have indefinite-term employment contracts in place, which for us is also reflective of a committed employment relationship that can be planned for in the long term. To meet our seasonal labour requirements, we also employ workers under a contract staffing arrangement. The proportion of employees working part-time is on the rise, this is how we help our employees to find the ideal work-life balance. We pay priority attention to retaining and training our employees, we regularly launch internship programmes, and we recognise the achievements of outstandingly performing colleagues in numerous ways. See the website for further details.



DISTRIBUTION OF CIB GROUP'S EMPLOYEES (PERSONS)



Based on data as at 31 December 2018

TRAINING AT CIB GROUP

The average number of hours of training per employee was 56.6, which means that each employee received an average of 7.54 days of training over the year. Total number of training hours: 109,977

In 2018, nearly 100 employees divided among ten groups took part in our retail orientation program and 29 new tutorials were added to the e-learning portal of the banking group.

In 2018, we continued the academic training based on the parent bank's model in our retail branch network with the purpose of further increasing the standard of service provided to small-business customers. In 2018, nearly 60 colleagues took part in the program, 26 of whom successfully passed the exam.

The bank introduced a new service model that enhances customer experience at several of its branches. As part of this model, we launched a 3-step, stand-alone development program for our top Retail Banking Advisers, which is designed to help our colleagues develop their skills in banking and build and maintain high-quality customer relationships. In 2018, 26 of our employees enrolled in the series of trainings. In an effort to reinforce internal career advancement within the retail

business area, we started to work out the details of a comprehensive training and development concept, which offers a predictable and transparent career path for all employees working in the branch network.

In 2018, our leadership development programs focused on the challenges that digitalisation poses to managers and the development of leadership skills needed in the digital age. In addition to classic training methodologies, our leaders had the opportunity to expand their knowledge at Lunch & Learn presentations this year. In 2018, we launched new coaching processes for 22 leaders in addition to the existing ones. Our programs launched in 2017 continued, such as the training series for newly appointed executives.

For corporate division employees, we continued the 4-step Sales Academy program.

A SPECIAL FOCUS ON TALENT

In December 2018 we closed the 1.5 year-long IV. Leadership Talent Program with 30 talents. In addition to the special development portfolio (trainings, coaching, mentoring, etc.), the program also featured several innovations. One such innovation is the 'Cooperative Development Center', which helped us measure and provide feedback on participants' development trends and results both at the beginning and at the end of the program.

The two-year long II. Expert Talent Programme will come to an end in the autumn of 2019, with currently 52 participants studying and developing their skills within its framework. In addition to special trainings and other development-oriented elements, the talents also have the opportunity to choose external trainings and conferences.

In 2018, an innovative feature included in both programs was the organisation of an internal conference where talents could present a self-chosen topic to each other after a thorough preparation in presentation techniques.

In 2018, we started developing CIB Bank's universal Talent Program. The new initiative combines the best elements of the Leadership and Expert Talent Programs, but featuring additional elements. Following basic training for comprehensive banking expertise and individual development, the Talents can choose from a range of innovative specializations tailored to the current needs of the banking environment.

The International Talent Program of our parent company, the Intesa Sanpaolo Group, is one of the most important initiatives on group level, aimed at developing the competencies of our colleagues and strengthening the work culture based on performance and professional excellence. In addition to taking part in personalised development, professional and leadership trainings as well as dedicated mentoring programmes, participants enrolled in the programme – which has a duration of 3-5 years – also have the opportunity to acquire a minimum one-year work experience abroad within the banking group. Five of our colleagues proved successful in this year's selection process.

DEVELOPING DIGITAL KNOWLEDGE

In 2018, one of the key strategic objectives of CIB is to strengthen innovation and digitalisation. Accordingly, a comprehensive program was launched to develop the digital literacy of our colleagues. We organized a series of lectures and trainings on the latest developments in financial digitalisation and the changing trends of management, with the involvement of internal and external experts, and in the framework of our initiative dubbed "Investigators", our corporate clients had the opportunity to present their innovative solutions to our interested colleagues.

In the second half of the year, we launched our special learning program called 'Digital Galaxy', where our colleagues had the occasion to familiarise themselves with the latest technological innovations, the essential concepts of digitalisation, the latest developments designed to make day-to-day life easier, and naturally, the latest CIB innovations, all in a playful manner. In addition to offering useful information, employees can also use this platform to convert the points earned in the course of learning to special prizes, such as a Tesla test drive, a drone, or language courses.

EMPLOYEE WELLBEING

The Bank Group paid special attention to maintaining employee satisfaction in 2018 as well, so the elements of the already known CIB Spirit employee program portfolio (e.g. CIB Spirit Day, Sport, Family) remained available. The programmes for families with children included organising day camps for children during the shorter school holidays (spring and autumn holidays), and after a 5-year hiatus, we again organised an open day for our colleagues' children at our headquarters in Budapest.

In addition to the programs, we also celebrated our outstanding employees in 2018: at the TOP sales employee and the TOP sponsor gala organised mid-year, we celebrated 100 and 70 prize winners, respectively; at the end of the year, more than 200 of our colleagues had the honour of being greeted as gold team members, executive role models, or of celebrating their 20th-25th-30th-35th anniversary at CIB.

Our CIB24 telephone call centre celebrated its 20th anniversary in 2018. On this occasion, several initiatives have been implemented: for example, we held a round-table discussion with the first 5 colleagues and managers who started the call center; and the second part of the "Soul Sounds" CD featuring children's stories and offered to charities was released with former and current CIB24 employees reading the stories.

With regard to the tools supporting the work process, in 2018 we replaced employees' mobile phones, continued to renew our car fleet used for business purposes, and we also reached an agreement with the "car-sharing" company that uses the GreenGo electric cars, which employees can use with preferential conditions.

The health preservation of employees is of the utmost importance for our parent bank, Intesa Sanpaolo Group, as our employees represent our company's most valuable resources. For this reason, employees with indefinite-term employment contracts are beneficiaries of the ISBD International Healthcare Programme at all international subsidiaries of Intesa Sanpaolo Group, as thus at our bank as well. The International Healthcare Programme is a unique program, which aims to provide assistance in the case of grave illnesses and interventions (cancer, open-heart surgery, heart valve replacement surgery, live donor organ transplantation, brain and intracranial illnesses), by ensuring that patients have access to the best specialist consultation and treatment network at medical centres that are among the best in the world, and to receive the best possible medical care in the world. This also covers the healthcare and treatment costs of the patient, meaning that the only thing they have to focus on is recovery.

OUR GOALS AND PLANS – OUR EMPLOYEES

OUR GOALS AND AIMS – OUR EMPLOYEES

	Commit	Completion
2018	<ul style="list-style-type: none"> Expanding digital knowledge among our employees Raising awareness about women's career paths and support for re-entry of mothers with young children with our "Womentoring" program A more efficient operation of your internal communication channels, introduction of a new channel (Social MobilApp) 	<div> <div></div> <div></div> <div></div> <div></div> </div> <div> <div></div> <div></div> <div></div> <div></div> </div> <div> <div></div> <div></div> <div></div> <div></div> </div>
2019	<ul style="list-style-type: none"> Strengthening the integration of newly-hired colleagues Developing the retention capacity of managers Renewing our talent programmes 	

BEYOND BUSINESS

In addition to being financially profitable, it's also important for us to meet our responsibilities towards society. In the interest of ensuring that both our stability and our growth strategy are fully supported, we minimise social and environmental risks and aim to have a positive impact, for the good of our community and our environment. Our responsible operation also extends to our external relationships and the role that we fulfil in society.

COMMUNITY ENGAGEMENT

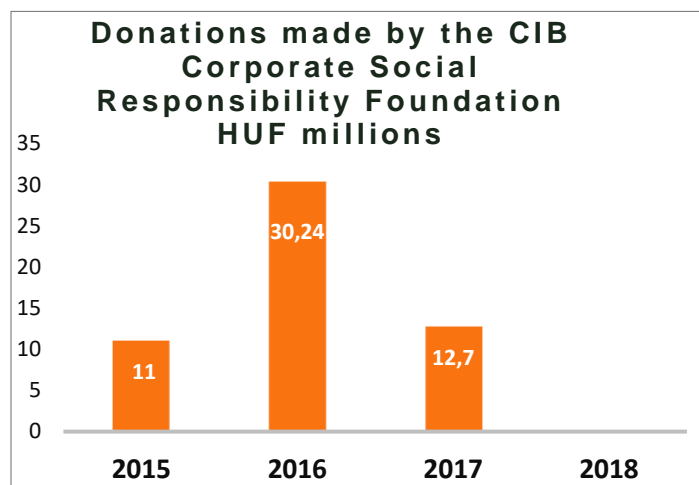
No payments were made from the CIB Foundation in 2018, because the Foundation is currently not active.

According to other resources, during the year of 2018, donations in the amount of HUF 14.4 million were made to vulnerable and underprivileged groups.

Since 2017, we have been paying priority attention to increasing the financial awareness of the generation of the future, which is why we've launched our own programme in relation to World Savings Day, and which is why we have been involved with the Pénz7 (Money Week) programme for many years.

Last year was the eighth in which we gave special priority to the national food collection weekend in collaboration with the Hungarian Food Bank Association. While cash donations remain a necessary means of assisting Hungarian families in need, donations of household items and food are also important. The latter take on a special importance in the run-up to holiday seasons, as they provide families in need with the experience of cooking together and sharing a family meal. The Hungarian Food Bank Association and the national food collection weekend initiative enable a form of charitable cooperation that provides an opportunity for our employees and customers to contribute in a way that is free from the influence of business interests, and complies fully with the CIB Group's corporate social responsibility principles. In 2018, 117 volunteering colleagues collected 78 tons of food in 36 stores (in 2017, 190 colleagues collected 106,873 kg of food in 54 stores).

Our objectives for 2019 also include reviewing relations with local communities and organisations.

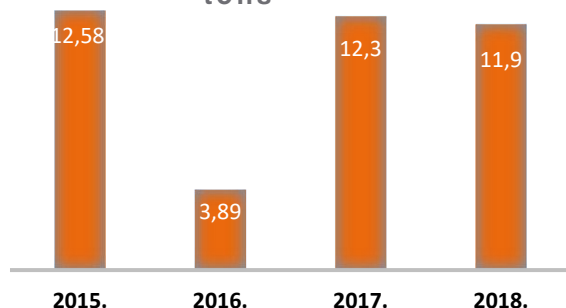


OUR ENVIRONMENTAL INDICATORS

	2015	2016	2017	2018
Total energy use (GJ)	161,195	151,216	106,834	66,635
Other renewable energy (kWh)	71,580	22,172	70,000	67,223
Water use (m3)	36,498	29,460	23,781	23,540
CO2 emissions from energy consumption	11,868	12,119	8,584	7,150

Based on data as at 31 December 2018

**Greenhouse gas emissions
avoided through the use of
solar collectors
tons**



Solar panels on the roofs of the office buildings in Petrežselyem utca and Medve utca and the CIB24 office building Information 24-hours a day

- Hot water supply for the three central buildings
- 8,444 m³ natural gas saving per year
- Equivalent to the annual gas consumption of three average detached houses

OUR SUCCESSFUL ENVIRONMENTAL PROGRAMS

- Riding a bike to work remained popular, and our bicycle storage facilities were used to their full capacity last year as well, with all 176 spaces continuously occupied.
- Following a hiatus of several years, in 2019 we will introduce selective waste collection at the Medve utca headquarters, and it is our objective to achieve selective waste collection throughout the branch network by 2020.
- Every year, the volume of hazardous waste is reduced, and most of it is reused (e.g. restaurant grease).
- We have installed new condensing gas boilers in eight branches, which ensure high efficiency compared to the old, traditional gas boilers.
- In the course of the bank branch renovations in 2018, the change of the central liquid cooling equipment was ordered for two branches, and we plan a cooling system replacement or renovation or significant upgrade at eight more branches in 2019.
- One important step is disseminating energy awareness among employees, as well as the annual examination for the related control system (ISO50001), which all our employees participate in. In 2018 we successfully maintained our ISO 50001 certification in the framework of a successful external audit, both with respect to the banking practices and the management and maintenance of the repossessed real estate portfolio; the certification is part of the continuous activities of the Realty Services area.
- In 2017, we introduced a "smart metering system" at 10 bank branches, which supplies online data to our energy management system in respect of the power, heating and temperature values of the selected branches. In 2018, ISP introduced a new smart metering system in respect of the branch networks, which was also taken over by CIB Bank and will be introduced from 2019 at branches that operate under the AGDM (new branch distribution model) concept. This makes the work of the energy expert and facility management employees significantly easier. Several new ideas regarding energy saving have occurred since with respect to a more profound utilisation of the system.
- CIB Group first joined Earth Hour, WWF's international climate protection initiative, eight years ago, in 2010. We continued this in 2018, as well, and we disconnected exterior lighting not only for one hour, but for the entire weekend, thus emphasising the importance of climate and environmental protection. With this activity, continuing the results of the previous years, we saved a total of 70.4 kWh of energy and our CO₂ emissions decreased by 28 kg during this period.
- Paper usage per employee - office A4, A3 - 54.7 kg/person.

OUR GOALS AND PLANS – BEYOND BUSINESS

CÉLJAINK ÉS TERVEINK – BEYOND BUSINESS		
	Commit	Completion
2018	<ul style="list-style-type: none">Review of the sponsorship and donation practicesExtending among our colleagues the use of community electric cars in BudapestFostering the dissemination of financial literacy	<div><div></div><div></div><div></div><div></div></div> <div><div></div><div></div><div></div><div></div></div> <div><div></div><div></div><div></div><div></div></div>
2019	<ul style="list-style-type: none">Review of sponsorship and donation practicesReview of relations with the local communityReview of the introduction of green economy products	

ANNEXES

VALÓDI LEHETŐSÉGEK



CIB BANK

ANNEXES

BOUNDARIES OF THE REPORT, MATERIAL ASPECTS

Entities included in the CIB Group's consolidated financial statements:

Subsidiary	Country of registration	Scope of Activity
CIB Bank Zrt.	Hungary	Commercial banking, leasing and factoring services
CIB Lízing Zrt.	Hungary	Financial leasing
CIB Rent Zrt.	Hungary	Leasing
CIB Biztosítási Alkusz Kft.	Hungary	Insurance brokerage
CIB Faktor Zrt. "v.a."	Hungary	No longer performing activity
Recovery Zrt.	Hungary	Financial consulting

This CIB Bank Group report focuses on the material aspects specified in the GRI standard. We have defined these in previous reports and we have updated them every year based on the external and internal stakeholders' opinions and expectations, on the basis of secondary sources. For the purposes of the 2018 report, we have reviewed, with an internal working group and the support of specialist advisers, the potential changes in the expectations and concerns of our key internal and external stakeholders, and the opportunities for improving the report, and the bank group's CSR team and the experts who assisted in the preparation of the report reviewed whether it was justified to change the list of material aspects.

The review identified the aspects that impact the Bank Group's operation and strategy, and the relevant aspects that affect stakeholder groups, primarily our customers, in light of the local context as well as of international trends. In the course of the review we drew on our own research, sector-wide research, secondary sources of data, and benchmark analyses.

The primary target group of this report are the customers. Of the three target audiences defined in previous years, we are using other primary communication channels for the purpose of informing and engaging our employees and the media, so this report only serves as a supplementary source of information in the dialogue conducted with these two groups.

The content of our report corresponds to the requirements of the ISO 26000 standard, as well.

As a result of the above, the following material aspects have been identified for the purpose of this year's report:

1. Responsible value creation
2. Corporate values and stability
3. Protection of jobs
4. Financial access and inclusion
5. Quality of customer relations and innovation
6. Corporate compliance and ethics
7. Retention, development and inclusion of employees
8. Employee wellbeing
9. Environmental impacts
10. Community engagement

Value creation

Customer focus

Colleagues

Beyond business

Every material aspect identified relates to all units within the organisation.

Material aspect	Related GRI indicator	Page number	Direct impact on external stakeholder
1. Responsible value creation	102-11 102-12 102-18; 201-1; 204-1	1; 5, 6, 31-32, 34-36, 38-40 https://net.cib.hu/cib_group/sustainability/our_values/index	Owner, Customers
2. Corporate values and stability	102-16	7. https://net.cib.hu/cib_group/sustainability/our_values/index	Customers
3. Protection of jobs	102-8 401-1	18 https://net.cib.hu/cib_group/sustainability/responsibility/index	
4. Financial access and inclusion	G4-FS14 G4-FS16	11. 21.	Customers
5. Quality of customer relations and innovation	102-43 G4-FS6	8. 14-16.	Customers
6. Corporate compliance and ethics	102-17 205-2	7. 36	Customers
7. Retention, development and inclusion of employees	404-1 404-2	18-19.	
8. Employee wellbeing	404-2	1-19.	
9. Environmental impacts	302-1 302-4; 305-2; 305-5	21-22.	Natural environment
10. Community engagement	413-1.	21.	Local community

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

GRI INDEX

Indicator	Brief description	Page number
102 – Presenting the organisation		
1. Organisational profile		
102-1	Name of the organisation	3.
102-2	Primary brands, products and/or services	3., 15.
102-3	Location of the organisation's headquarters	3.
102-4	Countries where the organisation operates	3.
102-5	Nature and legal form of ownership	3.
102-6	Markets served	3.
102-7	Size of the reporting organisation: number of employees; net sales; total capitalisation broken down in terms of debt and equity; quantity of products manufactured, or value of services provided	3.
102-8	Total workforce by employment type, employment contract, and region	18. https://net.cib.hu/cib_group/sustainability/responsibility/index
102-9	Description of the supply chain	13. https://net.cib.hu/cib_group/sustainability/suppliers/index
102-10	Significant changes in size, structure or ownership, during the reporting period	No change
102-11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	1.
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	34-36.
102-13	Memberships in associations (such as industry/sector associations) and/or national/international advocacy organisations	33.
2. Strategy and analysis		
102-14	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	1.
3. Ethics and integrity		
102-16	Internally developed statements of mission or values relevant to economic, environmental and social performance	7. https://net.cib.hu/cib_group/sustainability/our_values/index

102-17	Internal and external mechanisms for seeking advice, supporting decisions in relation to ethical and legal matters and reporting concerns	7.
4. Corporate governance		
102-18	Governance structure of the organisation	31-32.
5. Stakeholder engagement		
102-40	List of stakeholder groups engaged by the organisation in any form of dialogue	8. https://net.cib.hu/cib_group/sustainability/stakeholders/index
102-41	Percentage of employees covered by collective bargaining agreements	34.
102-42	Method and principles for selection of the stakeholder groups	8. https://net.cib.hu/cib_group/sustainability/stakeholders/index
102-43	Approaches to stakeholder engagement	8. https://net.cib.hu/cib_group/sustainability/stakeholders/index
102-44	Key topics and concerns that have been raised through stakeholder engagement	https://net.cib.hu/cib_group/sustainability/stakeholders/index
6. Reporting practice		
102-45	a) List of the entities included in the organization's consolidated financial statements or equivalent documents b) Report on whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	25.
102-46	The process for defining the content of the report.	25.
102-47	List of the material aspects identified in the process for defining report content.	26
102-48	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	No change
102-49	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	No change
102-50	Reporting period	2.
102-51	Date of most recent report	2.
102-52	Reporting cycle	2.
102-53	Contact point for questions regarding the report or its content	38
102-54	Declaration on the use of the GRI standard and the level of compliance	2.
102-55	GRI Content Index	27-30.

102-56	Policy and current practice with regard to seeking external assurance for the report	The report has not been authenticated
103 - Management approach		At the presentation of the data
103-1	Presentation and boundaries of material aspects	At the presentation of the data
103-2	The management of material aspects, related guidelines, objectives, commitments, resources, complaints management, programmes	At the presentation of the data
103-3	The efficiency of the management approach related to material aspects, and the evaluation thereof	At the presentation of the data
201 - Economic performance		
201-1	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	5.
204-1	Proportion of payments to local suppliers	6. https://net.cib.hu/cib_group/sustainability/suppliers/index
205-2	Percentage of employees trained in the organisation's anti-corruption policies and procedures	36
301-308 - Environmental performance		
302-1	Energy consumption within the organisation	21.
302-4	Energy saved due to conservation and efficiency improvements	21-22.
305-2	CO2 emissions resulting from energy use	21.
305-5	Initiatives to reduce greenhouse gas emissions, and reductions achieved	21-22.
401-419 Social performance		
401-1	Total employee turnover	https://net.cib.hu/cib_group/sustainability/responsibility/index
404-1	Average hours of training per year per employee, by employee category	18-19. https://net.cib.hu/cib_group/sustainability/responsibility/index
404-2	Programs for skills management and lifelong learning	18-19. https://net.cib.hu/cib_group/sustainability/responsibility/index
I. Society		
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	21.
II. Financial sector-specific indicators		

G4-FS6	Distribution of business-line portfolios by region, customer size (e.g. micro/SME/large corporate) and industry	14-16.
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	11.
G4-FS16	Initiatives to enhance financial literacy by type of beneficiary	21.

DECISION-MAKING BODIES

The bank's top decision-making body until 31 October 2016 was the general meeting; from 1 November 2016, the bank has one shareholder: Intesa Sanpaolo S.p.A., which adopts its resolutions in writing.

The structure of other decision-making bodies is:

- The bank's executive body is the Management Board, the members of which are employed by CIB Bank.
- The Supervisory Board is the Bank's supervisory body.

The names of the members of the Management Board and the Supervisory Board are published on the [website](#).

Members of the Board of Directors on 31 December 2018:

- Chief Executive Officer (Pál Simák)
- Retail (Dr. Tamás Ákos),
- Corporate Business Line (Balázs Szabó)
- Risk Management (CRO, Csordás Zoltán)
- Operations (COO, Sante Cusimano)

The **Audit Committee** supports the professional activity of the Supervisory Board primarily in respect of internal audit, risk management, accounting and compliance tasks. The Audit Committee has three members and its composition on 31 December 2018 was:

Members of the Audit Committee on 31 December 2018

- Giampiero Trevisan – Chairman (ISP business consultant)
- Franco Sgubin (ISBD SME Sub Department)
- Ciro Vittoria (ISP, Credit Risk Monitoring- Foreign Banks)

The **Supervisory Board** has 7 members.

Members of the Supervisory Board on 31 December 2018:

- Ezio Salvai – Chairman (ISP business consultant)
- Francesco Del Genio – Deputy Chairman (ISP, Credit Management Foreign Banks)
- Giampiero Trevisan (ISP business consultant)
- Franco Sgubin (ISBD SME Sub Department)
- Ciro Vittoria (ISP, Credit Risk Monitoring- Foreign Banks)
- Ilona Csuka-Fügedy (CIB, member the Supervisory Board, trade union representative)
- Zsófia Szabó (CIB, member the Supervisory Board, trade union representative)

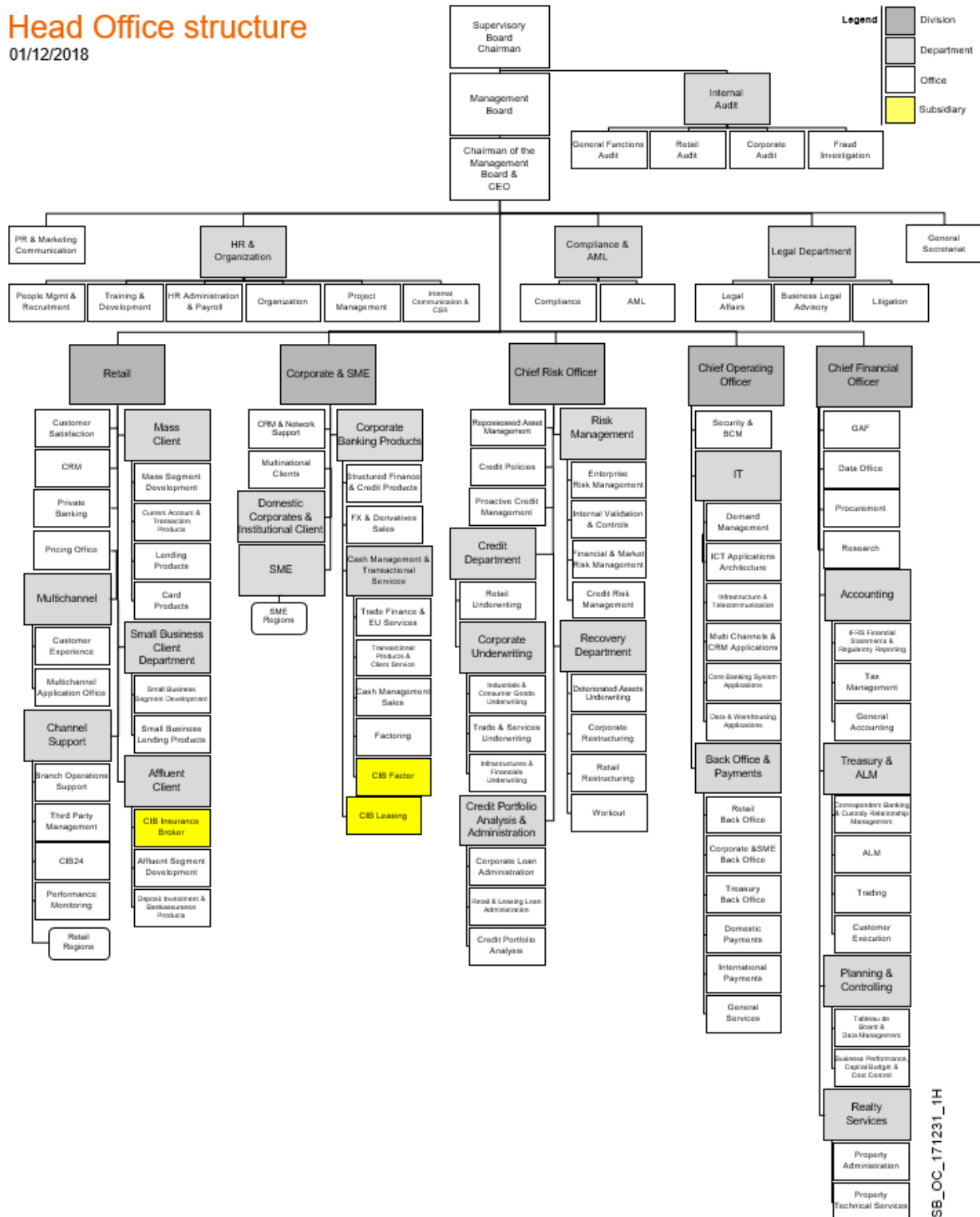
The Steering Committees are authorised to independently make decisions and launch initiatives affecting the entire CIB Group, within the scope of authority delegated to them by the bank's Management Board:

Credit Risk Management Committee			Asset-Liability Management Committee		
	Change Management Committee				
Credit Committee		Operational Risk Committee			
Problem Assets Committee		Internal Controls Coordination Committee			
	Professional Committee for Financial Products				

ORGANISATIONAL STRUCTURE

Head Office structure

01/12/2018



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 Bank Group, and the bank sector as a whole, with a means of upholding and protecting its interests as part of a structured advocacy group.

Membership of organisations

Hungarian Banking Association	Hungarian Association of Internal Auditors
Budapest Chamber of Commerce and Industry	ISACA, Hungarian Chapter
Italian Chamber of Commerce in Hungary	Chamber of Hungarian Auditors
Hungarian Forex Society	Hungarian Advertising Association
Hungarian Canadian Chamber of Commerce	Hungarian Self-Regulating Advertising Body
ACCA	Hungarian Leasing Association
Joint Venture Association	Hungarian Factoring Association
Hungarian Association of Independent Insurance Brokers	

COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL COMPACT

Global Compact principles	Our performance	More information
Human Rights		
1. Business should support and respect the protection of internationally proclaimed human rights.	<p>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.</p> <p>In the course of its operation our Bank fully respects the Fundamental Law of Hungary and all other general domestic and international conventions on human rights and ethics.</p> <p>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.</p> <p>We provide our employees with fair and satisfactory working conditions and pay, as well as a wide range of other benefits. Average entry-level wage is 231% of the minimum wage.</p>	<p>Page 4</p> <p>https://net.cib.hu/cib_group/sustainability/our_values/index</p> <p>https://net.cib.hu/cib_group/sustainability/responsibility/index</p> <p>page8</p> <p>https://net.cib.hu/cib_group/sustainability/responsibility/index</p>
2. Businesses should make sure they are not complicit in human rights abuses.	<p>In 2018, we continued the implementation of the Code of Ethics and the Conduct Guidelines based on it and operation following the adoption of the rules of procedure and the system.</p> <p>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.</p> <p>Our branches have either full or partial accessibility for disabled persons.</p>	<p>Page 4</p> <p>https://net.cib.hu/cib_group/sustainability/our_values/index</p> <p>page9</p> <p>https://net.cib.hu/cib_group/sustainability/responsibility/index</p>
Labour		
3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<p>Our bank complies fully with the Labour Code, and beyond this the organisation regulates matters that affect every employee equally in the HR regulations. There is no collective agreement. There is a trade union of employees operating, and it had 178 members at the end of December 2018. Representatives of the trade union make up what is known as the Social Committee, whose task is to manage certain forms of social assistance that we provide to employees. In May 2016, the Works Council was formed with 10 participants.</p>	<p>https://net.cib.hu/cib_group/sustainability/responsibility/index</p>
4. Business should eliminate all forms of forced and compulsory labour.	<p>The Bank abides by the laws of the country and the relevant passages of the Fundamental Law of Hungary.</p> <p>We have made a commitment to protect human rights in accordance with the 1948 Universal Declaration on Human Rights.</p>	

Annexes:

5. Business should be effective in abolishing child labour.	The Bank abides by the laws of the country and the relevant passages of the Fundamental Law of Hungary.	
6. Business should eliminate discrimination in employment and occupation.	<p>We declared in our Code of Ethics that we are committed to eliminating all forms of discrimination from our conduct and to respecting differences in gender, age, race, religion, political and trade-union alignment, and language, and to respecting the rights of those with disabilities.</p> <p>Our organisation is willing to appoint physically disabled staff to certain positions. In 2018 a total of 73 persons with acquired disabilities worked at the CIB Group.</p> <p>We place emphasis on achieving equality between the sexes: the difference between men's and women's wages is considerably smaller than both the Hungarian and the European average. Our long-term objective is to fully comply with the principle of "equal pay for equal work".</p>	<p>Page 4</p> <p>https://net.cib.hu/cib_group/sustainability/our_values/index</p> <p>https://net.cib.hu/cib_group/sustainability/responsibility/index</p>
Environmental protection		
7. Business should support a precautionary approach to environmental challenges.	<p>We aim to use all our resources sparingly. In this regard we promote conduct that is based on the best use of resources and on the avoidance of waste and ostentation. We give priority to solutions that have been designed with sustainability in mind.</p> <p>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.</p> <p>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.</p>	<p>Pages 21-24</p> <p>https://net.cib.hu/cib_group/sustainability/environmental_impact/index</p> <p>page 15</p>
8. Business should undertake initiatives to promote greater environmental responsibility.	<p>We extended the opportunity for selective waste disposal to two more of our central offices.</p> <p>We continue to perform the energy efficiency objectives (energy optimisation of the data centre, installing LED lights in the bank branches, UPS optimisation, server cooling setting).</p>	<p>Pages 21-24</p> <p>https://net.cib.hu/cib_group/sustainability/environmental_impact/index</p>
9. Business should encourage the development and diffusion of environmentally friendly technologies.	We strive to take a role in raising awareness about environmentally friendly energy use, therefore we support our employees' efforts in this regard.	<p>Pages 21-24</p> <p>https://net.cib.hu/cib_group/sustainability/environmental_impact/index</p>
Anti-corruption		
10. Business should work against corruption in all its	<p>The Bank abides by the laws of the country.</p> <p>The Bank has approved the Code of Ethics and the Code of Conduct setting forth the standards of behaviour that are</p>	<p>Page 4</p> <p>https://net.cib.hu/cib_group/sustainability/our_values/index</p>

**forms, including
extortion and bribery.**

expected of our employees, which also has a section devoted to the prohibition of corruption.

All employees of the CIB Group have received training in the prevention of money laundering and conflicts of interests, through the e-learning interface (MultiLearn) accessible via the internal network.

CERTIFICATE FROM THE HUNGARIAN SELF-
REGULATING ADVERTISING BODY (ÖRT)

CERTIFICATE

HUNGARIAN ADVERTISING
SELF-REGULATORY BOARD
ADVERTISING. CLEARLY



Certificate
about
Corporate Social Responsibility
of
CIB Bank Zrt.

Önszabályozó Reklám Testület, the Hungarian Self Regulatory
Organisation certifies that CIB Bank Zrt.

was full member of ÖRT between 1 January 2018 and 31 December 2018
with its membership committed itself:
to responsible commercial communication,
to comply with the Advertising Code of Ethics,
to submit itself to the resolutions issued by the Advertising Jury,
asking for Copy Advice for prior control of the legality and ethical correctness
providing training for its staff about ethical standards.

4 June 2019, Budapest

dr. Molnár Kálmán
Chairman

Gerendi Zsolt
Secretary General

IMPRINT

Text: Anna Almási, Eszter Bohátka
Responsible publisher: Ádám Szinai
Date of finalisation of the manuscript: July 31 2019

**We thank the specialists of the CIB Group and Alternate Tanácsadó
(Consulting) Kft.
for their assistance in preparing the report.**

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