

**CIB BANK LTD. and subsidiaries**

Consolidated Financial Statements  
for the year ended 31 December, 2009  
prepared in accordance with  
International Financial Reporting Standards  
with the report of the Independent Auditor

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CIB Bank Ltd and its subsidiaries

We have audited the accompanying financial statements of CIB Bank and its subsidiaries ("the Group"), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

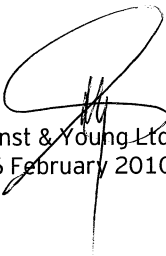
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Ernst & Young Ltd, Hungary  
26 February 2010

**CIB BANK LTD.  
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for the year ended 31 December, 2009**

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31 December, 2009

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**CIB BANK LTD.  
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**Consolidated Income Statement  
for the year ended 31 December, 2009  
(million HUF)**

	Note	2009	2008	Changes	
					(%)
Interest income	3	180,628	181,608	(980)	(0.5)
Interest expense	3	<u>(120,721)</u>	<u>(118,972)</u>	<u>1,749</u>	<u>1.5</u>
<b>Net interest income</b>		59,907	62,636	(2,729)	(4.4)
Fee and commission income	4	43,300	45,129	(1,829)	(4.1)
Fee and commission expense	4	<u>(7,469)</u>	<u>(7,322)</u>	<u>147</u>	<u>2.0</u>
<b>Net fee and commission income</b>		35,831	37,807	(1,976)	(5.2)
Income from trading activities	5	47,506	41,905	5,601	13.4
Other operating income / (expenditures)	6	(1,168)	607	(1,775)	(292)
Impairment losses, provisions and net loan losses	7	(71,252)	(34,296)	36,956	107.8
Operating expenses	8	<u>(61,236)</u>	<u>(68,113)</u>	<u>(6,877)</u>	<u>(10.1)</u>
<b>Operating profit</b>		9,588	40,546	(30,958)	(76.4)
Share of loss of associate	9	<u>(11)</u>	<u>(203)</u>	<u>192</u>	<u>(94.6)</u>
<b>Profit before tax</b>		9,577	40,343	(30,766)	(76.3)
Income tax expense	10	<u>(4,916)</u>	<u>(12,181)</u>	<u>7,265</u>	<u>59.6</u>
<b>Net profit for the year (before appropriations)</b>		4,661	28,162	(23,501)	(83.4)

The accompanying notes on pages 9 to 70 form part of these consolidated financial statements.

**CIB BANK LTD.  
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**Consolidated Statement of Comprehensive Income  
for the year ended 31 December, 2009  
(million HUF)**

	Note	2009	2008	Changes	(%)
<b>Net profit for the year (before appropriations)</b>		4,661	28,162	(23,501)	(83.4)
Exchange differences on translation of foreign operations (net of taxes)	12	26	(24)	50	208.3
Net non-realised (loss) / gain on available-for-sale financial assets (net of taxes)	12	988	(2,430)	3,418	140.7
<b>Other comprehensive income for the year (net of taxes)</b>	12	1,014	(2,454)	3,468	141.3
<b>Total comprehensive income for the year</b>		5,675	25,708	(20,033)	(77.9)
Attributable to Equity holders of the parent		5,675	25,708	(20,033)	(77.9)

The accompanying notes on pages 9 to 70 form part of these consolidated financial statements.

**CIB BANK LTD.  
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**Consolidated Statement of Financial Position  
as at 31 December, 2009  
(million HUF)**

<b>Assets</b>	Note	<b>2009</b>	<b>2008</b> (Reclassified)	<b>2007</b> (Reclassified)
Cash and current accounts with central bank	13	47,752	41,281	82,857
Deposits with banks	14	70,106	35,252	95,433
Financial assets at fair value through profit or loss	15	17,048	48,984	67,046
Derivative financial assets	32	40,267	92,479	36,160
Loans and advances to customers	16	2,446,372	2,587,226	2,079,376
Allowance for incurred loan losses	16	<u>(131,420)</u>	<u>(75,457)</u>	<u>(49,471)</u>
Net loans and advances to customers	16	2,314,952	2,511,769	2,029,905
Financial investments – Available for sale	19	160,531	229,639	162,688
Financial investments – Held to maturity	19	5,994	7,030	10,244
Non-current assets held for sale	17	284	96	220
Tax assets	10	14,396	10,383	7,931
Other assets	18	9,773	6,956	12,347
Investment properties	20	23,220	-	-
Intangible assets	21	11,468	12,658	11,831
Property, plant and equipment	22	<u>41,405</u>	<u>44,704</u>	<u>43,330</u>
<b>Total assets</b>		<u>2,757,196</u>	<u>3,041,231</u>	<u>2,559,992</u>

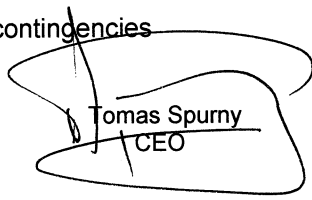
The accompanying notes on pages 9 to 70 form part of these consolidated financial statements.


**CIB BANK LTD.  
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**Consolidated Statement of Financial Position  
as at 31 December, 2009  
(million HUF)**

<b>Liabilities and Shareholders' Equity</b>	Note	<b>2009</b>	<b>2008</b>	<b>2007</b>
			(Reclassified)	(Reclassified)
Deposits from banks	23	743,610	1,164,000	831,123
Derivative financial liabilities	32	41,504	111,646	32,921
Deposits from customers	24	1,560,093	1,381,210	1,331,481
Liabilities from issued securities	25	63,533	72,061	79,785
Tax liabilities	10	9,137	10,047	9,838
Other liabilities	26	17,913	29,301	44,429
Provisions	27	3,629	4,261	5,068
Subordinated deposits	28	<u>52,453</u>	<u>51,386</u>	<u>49,134</u>
<b>Total liabilities</b>		<u><b>2,491,872</b></u>	<u><b>2,823,912</b></u>	<u><b>2,383,779</b></u>
<b>Shareholders' equity</b>				
Share capital	29	105,000	62,819	47,519
Reserves	30	30,504	42,820	42,804
Retained earnings		<u>129,820</u>	<u>111,680</u>	<u>85,890</u>
<b>Total shareholders' equity</b>		<u><b>265,324</b></u>	<u><b>217,319</b></u>	<u><b>176,213</b></u>
<b>Total liabilities and shareholders' equity</b>		<u><b>2,757,196</b></u>	<u><b>3,041,231</b></u>	<u><b>2,559,992</b></u>
Commitments and contingencies	31	386,949	587,445	618,333

26 February, 2010

  
Tomas Spurny  
CEO

  
Péter Bánó  
CFO  
CIB Bank Ltd.

  
Tibor Gáspár  
Chief Accountant

The accompanying notes on pages 9 to 70 form part of these consolidated financial statements.

**CIB BANK LTD.  
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**Consolidated Statement of Changes in Equity  
for the year ended 31 December, 2009  
(million HUF)**

	Note	Ordinary Shares	Retained Earnings	Capital reserve	General Reserve	General Risk Reserve	Revaluation reserve	Foreign currency translation reserve	Total
<b>Balance at 31 December, 2007 (Restated)</b>		47,519	85,890	772	18,764	22,874	396	(2)	176,213
Total comprehensive income							(2,430)	(24)	(2,454)
Issue of shares	29	15,300	-	98	-	-	-	-	15,398
Net profit for 2008		-	28,162	-	-	-	-	-	28,162
Transfers between reserves		-	(2,372)	-	2,599	(227)	-	-	-
<b>Balance at 31 December, 2008</b>		62,819	111,680	870	21,363	22,647	(2,034)	(26)	217,319
Total comprehensive income		-	-	-	-	-	988	26	1,014
Issue of shares	29	42,181	-	149	-	-	-	-	42,330
Net profit for 2009		-	4,661	-	-	-	-	-	4,661
Transfers between reserves		-	13,479	-	453	(13,932)	-	-	-
<b>Balance at 31 December, 2009</b>		105,000	129,820	1,019	21,816	8,715	(1,046)	-	265,324



**CIB BANK LTD.  
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**Consolidated Statement of Cash Flows  
for the year ended 31 December, 2009  
(million HUF)**

	2009	2008 (Reclassified)
<b>Operating activities</b>		
Profit before tax	9,577	40,343
<i>Adjusted for:</i>		
Depreciation	7,408	7,495
Net unrealized gain on financial instruments	(17,999)	23,792
Increase in loan loss provision	55,963	25,986
<i>Working capital charges:</i>		
Decrease / (increase) in deposits with banks	1,914	3,790
Decrease / (increase) in financial assets at fair value through profit or loss	32,005	12,422
Decrease / (increase) in loans and advances to customers	139,281	(507,850)
Decrease / (increase) in other assets (non-current assets, tax assets, other assets)	(6,211)	4,768
Increase / (decrease) in deposits from banks	(420,390)	332,877
Increase / (decrease) in deposits from customers and liabilities from issued securities	170,355	42,005
Increase / (decrease) in other liabilities (provisions, tax liabilities, other liabilities)	(10,216)	(16,202)
Income tax paid	<u>(8,700)</u>	<u>(12,803)</u>
Cash flows used in operating activities:	<u>(47,013)</u>	<u>(43,377)</u>
<b>Investing activities</b>		
Purchase of financial investments	(150,942)	(160,249)
Proceeds from sale of financial investments	223,807	93,248
Acquisitions to intangible and tangible assets, investment properties	(31,185)	(12,508)
Disposals of intangible and tangible assets, investment properties	<u>5,046</u>	<u>2,812</u>
Cash flows used in investing activities:	<u>46,726</u>	<u>(76,697)</u>
<b>Financing activities</b>		
Cash from subordinated deposits	1,067	2,252
Cash from share capital	42,330	15,398
Dividends paid	—	—
Cash flows from financing activities:	<u>43,397</u>	<u>17,650</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>39</b>	<b>(102,424)</b>
Cash and cash equivalents at the beginning of year	70,433	172,857
Cash and cash equivalents at the end of year	113,543	70,433
<b>Additional information for cash flows from operating activities</b>		
Interest received	185,805	178,894
Interest paid	134,580	113,228
Dividend received	107	352

26 February, 2010

  
Tomáš Spurný  
CEO

  
Péter Bánó  
CFO

  
Tibor Gáspár  
Chief Accountant

CIB Bank Ltd.

The accompanying notes on pages 9 to 70 form part of these consolidated financial statements.

**CIB BANK LTD.  
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**Notes to the Consolidated Financial Statements  
for the year ended 31 December, 2009**

**(1) Ownership and activities**

The majority owner of CIB Bank Ltd. ("the Bank") is Intesa Sanpaolo Holding International S.A. which holds 93,4773 % of total ordinary shares of the Bank outstanding at year end (89,098 % as at 31 December, 2008). The ultimate parent company of the Bank is Intesa Sanpaolo S.p.A., a bank registered in Italy, holds 6,5227 % of the shares of the Bank as at 31 December, 2009 (10,902 % as at 31 December, 2008).

The Bank is a fully licensed Hungarian bank conducting local and international banking business both within and outside Hungary. The registered address of the Bank is 4-14 Medve utca, Budapest. The average number of employees of the Bank and its subsidiaries was 3,561 in 2009 (2008: 3,776).

**(2) Significant accounting policies**

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

*(a) Measurement basis used in preparation*

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss or available for sale financial assets are measured at fair value in these consolidated financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial instruments classified as financial investments – Held to maturity, loans and receivables or other financial liabilities are measured on an amortized cost basis. The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The carrying values of recognized assets and liabilities that are hedged items in fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

Non-financial instruments are measured using the historical cost basis in these consolidated financial statements.

These financial statements are presented in Hungarian Forint (HUF) and all amounts are rounded to the nearest million except when otherwise indicated.

The official rate of exchange quoted by the Hungarian Central Bank as at 31 December 2009 the euro was 1 EUR=270.84 HUF (2008: 1 EUR =264.78 HUF) and swiss frank was 1 CHF= 182.34 HUF (2008: 1 CHF = 177.78 HUF).

**CIB BANK LTD.  
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**Notes to the Consolidated Financial Statements  
for the year ended 31 December, 2009**

**(2) Significant accounting policies (continued)**

*(b) Statement of compliance*

The consolidated financial statements of the Bank and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU.

*(c) Basis of consolidation*

The consolidated financial statements comprise the financial statements of CIB Bank Limited and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All inter-company balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Subsidiaries are those entities that are controlled by the Bank. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Bank has control.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and are separately in the income statement and within equity in the consolidated statement of Financial Position, separately from parent shareholders' equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

As at 31 December 2009 the Bank had the following subsidiary companies ("the Group"):

Company	Country of incorporation	% equity interest (direct and indirect)	Principal Business
CIB Credit Co. Ltd.	Hungary	100	Consumer credit finance
CIB Leasing Co. Ltd.	Hungary	100	Financial leasing services
CIB RENT Leasing and Trading Company Ltd.	Hungary	100	Leasing services
CIB Real Estate Leasing Co. Ltd.	Hungary	100	Real estate leasing services
CIB Residential Property Leasing Ltd.	Hungary	100	Property financial leasing services
CIB Property Ltd.	Hungary	100	Property financial leasing services
CIL-FOOD 2006 Ltd.	Hungary	100	Property leasing services
CIL MNM Ltd.	Hungary	96,67	Property leasing services
Lelle Spc Ltd.	Hungary	100	Property leasing services
CIL Buda SQUARE Ltd.	Hungary	100	Property leasing services
Óbuda Dunapart Ltd.	Hungary	100	Property leasing services
CSB Plaza Ltd.	Hungary	100	Property leasing services

**CIB BANK LTD.  
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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

Hotel Wien Ltd.	Hungary	100	Property leasing services
Lánchíd Palota Ltd.	Hungary	100	Property leasing services
Brivon Hungary Ltd.	Hungary	100	Property development and maintenance services
CIB Insurance Broker Ltd.	Hungary	100	Insurance agency services
CIB Support Ltd.	Hungary	100	Property and maintenance services to the Group
CIB REAL Ltd.	Hungary	100	Property and maintenance services to the Group
CIB Investment Fund Management Co. Ltd.	Hungary	100	Fund management
CIB Faktor Ltd.	Hungary	100	Factoring financing services
CIB Recovery Ltd.	Hungary	100	Professional services
CIB Car Ltd.	Hungary	100	Car trading services
CIB New York Broker Ltd.	Hungary	100	Financial agent services

Business combinations during 2009 are detailed in Note 40.

In certain instances, the Bank sponsors the formation of special purpose entities. The Bank has consolidated the special purpose entities it controls. In assessing and determining if the Bank controls such special purpose entities, judgments is made about the Bank's exposure to the risks, rewards and its ability to make operational decisions.

An associate is an entity in which the Bank has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the statement of Financial Position at cost plus post-acquisition evaluation in the Group's share of net assets of the associate. The income statement reflects the Bank's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Bank recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. The reporting dates of the associate and the Bank are identical and the associate's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

The Bank has two official representative offices in London and in Brussels.

*(d) Significant accounting judgments and estimates*

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

*Fair value of financial instruments*

Where the fair values of financial assets and liabilities recorded on the statement of Financial Position can not be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

**CIB BANK LTD.  
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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

*Impairment losses on loans and advances*

The Bank reviews its problem loans and advances monthly to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on the internal rating of the loan or investment.

*Deferred tax assets*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

*Impairment of non-financial assets*

Impairment exists when the carrying value of an asset of cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next years.

*(e) Foreign currency transactions*

The functional and presentation currency of the Bank and its subsidiaries is the Hungarian Forint (HUF). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of Financial Position date. All differences are taken to the Consolidated Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

*(f) Deposits with banks and other financial institutions*

Deposits with banks and other financial institutions are stated at amortized cost less any amounts written off and provision for impairment.

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**Notes to the Consolidated Financial Statements  
for the year ended 31 December, 2009**

**(2) Significant accounting policies (continued)**

*(g) Initial recognition and derecognition of financial instruments*

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

All "regular way" purchases and sales of financial assets and liabilities are recognized on the settlement date, i.e. the date that the financial asset is delivered. Regular way purchases or sales are purchases or sales that require delivery of assets within the time frame generally established by regulation or convention in the market place. Derivatives are recognized on trade date basis. Trade date is the date that the Group commits itself to purchase or sell an asset.

The financial asset is derecognized if substantially all of the asset's risks and rewards are transferred. If some but not substantially all of the asset's risks and rewards are transferred, then an asset is derecognized if control of assets is transferred. If some but not substantially all of the asset's risk and rewards are transferred and control of the asset has been retained, then the entity continues to recognize the transferred asset to the extent of its continuing involvement in the asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

*(h) Financial asset at fair value through profit and loss*

Financial assets or financial liabilities at fair value through profit or loss are financial assets and financial liabilities that are classified either as held for trading or designated by the Bank as at fair value through profit or loss upon initial recognition. These financial instruments are carried at fair value with any gain or loss arising from a change in fair value being included in the Consolidated Income Statement in the period in which it arises.

*(i) Derivatives and hedges*

The Bank enters into derivative instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Derivatives are stated at fair value with gains or losses arising from changes in the fair value taken directly to the Consolidated Income Statement for the period.

Derivatives with positive market values (unrealized gains) are recognized as derivative financial assets and derivatives with negative market values (unrealized losses) are recognized as derivative financial liabilities in the Consolidated Statement of Financial Position. Derivative financial instruments are subsequently re-measured at fair value.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristic and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the derivative financial assets or liabilities with changes in fair value recognized in the income statement.

**CIB BANK LTD.**  
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**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December, 2009**

**(2) Significant accounting policies (continued)**

The asset and liability management of the Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, management objectives and strategy for undertaking the hedge. The methods that will be used to assess the effectiveness of the hedging relationship form part of the Group's documentation.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are offset in a range of 80% to 125%.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

The Bank enters into fair value hedges to manage the risk of changes in fair value of recognized asset or liability or that relating to unrecognized firm commitments, or an identified portion of such.

The gain or loss from re-measuring the hedging instrument at fair value is recognized in the income statement and the gain or loss on the hedged item attributable to the hedged risk adjust the carrying amount of the hedged item and is recognized in the income statement if the hedged item is measured at cost.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the value at which would have been carried without being hedged is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

*(j) Loans and advances*

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and are carried at amortized cost using the effective interest rate method, less allowance for impairment.

Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers.

**CIB BANK LTD.  
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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

A credit risk provision for loan impairment is established for significant loans if there is objective evidence that the Group will not be able to collect all amounts due. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision in the Consolidated Income Statement.

Statutory and other regulatory loan loss reserves are dealt with in the general risk reserve as an appropriation of retained earnings.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal systems that consider credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors and have been estimated based upon historical patterns of losses in each component.

The general rule of calculating impairments and provisions are based on discounted expected future cash flow method. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For small ticket size (up to 560ths EUR client's group exposure) the Group applies a simplified way of provisioning. That method calculates approximately 15-20% of specific provisions. Under that method a certain percentage of the net exposure is calculated as provision. Net exposure equals the total exposure minus the discounted value of the allocated collateral. The percentage is depending on the status of the deal; the statuses are defined in terms of objective evidences (risk events). Above more than 90 days past due the total net exposure is provisioned. That method implicitly assumes, that small tickets are processed relatively quickly, so that losses from the change in time value are negligible and that the discount on collaterals covers the cost of workout activities. In practice, we found that logic conservative in a sense, that provisions are sufficient to cover the actual losses.

Loans and advances to customers are classified to non-performing loan category if the customer is impaired. Evidence of impairment may include that the borrower is experiencing significant financial difficulties (is under liquidation), the probability that they will enter into bankruptcy (PD rate are 100 %) or delinquency in interest or principal payments (have more than 90 days past due) and where observable data indicates that there is a change in economic conditions that correlate with default (managed by work-out department).



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**(2) Significant accounting policies (continued)**

Where possible the Group seeks to restructure loans. Restructuring may involve extending the payment arrangements and the agreement of new loan conditions.

The Group also take possession of collaterals and provide asset management services during the current unfavourable property market conditions. The Group's aim is to hold these collaterals till better market conditions could be achieved and sell them.

*(k) Finance lease receivables*

Leases where the Group transfers substantially all the risks and rewards incident to ownership of the asset to the lessee are classified as finance leases. The net investment in finance leases provided by the Group is included in loans and advances

to customers. A receivable is recognized over the leasing period of an amount equalling the present value of the lease payment using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in Interest income in the income statement.

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- there is substantial change to the asset.

*(l) Financial investments – Held to maturity*

Held to maturity financial investments are non-derivative financial assets with carry fixed of determinable payments and have fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The amortization is included in "interest income" in the income statement.

*(m) Financial investments - Available for sale*

Financial investments - Available for sale are those which are designated as such or are not classified as designated at fair value through profit or loss, held to maturity or loans and advances. After initial recognition, investments which are classified 'available for sale' are re-measured at fair value. Unrealized gains and losses on re-measurement to fair value are reported in the Equity as Revaluation Reserve for the period. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the income statement.

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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

*(n) Securities lending and borrowing*

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of Financial Position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the statement of Financial Position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in net trading income.

*(o) Fair values*

The fair value for financial instruments traded in active markets at the statement of Financial Position date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. For equity traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market closing prices at the close of business on the statement of Financial Position date.

The fair value of interest-bearing items is estimated based on discounted cash-flows using interest rates for items with similar remaining maturity. The carrying value of demand deposit is considered to be the fair value.

For equity where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected discounted cash flows.

Measurements at fair value are classified on the basis of a hierarchy that reflects the significance of the inputs used in the measurement. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 38.

*(p) Repurchase and resale agreements*

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the Consolidated Statement of Financial Position and are measured in accordance with accounting policies for non-trading investments. The liability for amounts received under these agreements is included in due to banks and other financial institutions. The difference between sale and repurchase price is treated as interest expense.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Consolidated Statement of Financial Position. Amounts paid under these agreements are included in deposits with banks and other financial institutions. The difference between purchase and resale price is treated as interest income.

*(q) Intangible assets and property, plant and equipment*

All items of premises and equipment are initially recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of all premises and equipment, other than freehold land which is deemed to have an indefinite life.

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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

The following depreciation rates and residual values are applied:

	Depreciation rate	Residual value
Premises	2%	50 or 70 %
Leasehold improvements	5%	individually assessed
Office furniture and equipment	14,5%	individually assessed
Computer equipment	33%	10 %
Software	20%	individually assessed
Motor vehicles	20%	30 %

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the asset is derecognized. The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Real estate developments/projects and lands are not subject to depreciation.

*(r) Investment properties*

Investment properties are usually repossessed properties under lease negotiation or real estate developments/projects, construction contracts. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition investment properties are stated at historic cost less provision for depreciation and impairment. The Group applies 2 % depreciation rate for investment properties with residual value of 70 % except repossessed lands and real estate developments, construction contracts which are not subject to depreciation. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

*(s) Business combinations and goodwill*

Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets and liabilities of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the income statement.

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**(2) Significant accounting policies (continued)**

*(t) Inventory*

Inventories are recognized at cost, which comprise all costs of purchase, costs of conversion and other costs. After initial recognition inventories are measured at the lower of cost and net realizable value.

*(u) Non-current asset held for sale*

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded and met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

*(v) Deposits*

All money market and customer deposits are initially recognized at fair value. After initial recognition, all interest bearing deposits, other than liabilities held for trading, are subsequently measured at amortized cost, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Premiums and discounts are amortized on a EIR basis to maturity using the effective interest method and taken to interest expenses. For liabilities carried at amortized cost, any gain or loss is recognized in the Consolidated Income Statement when the liability is derecognized.

*(w) Revenue recognition*

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial investments and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset or financial liability. The Group earns fee and commission income from a diverse range of services it provides to its customers.

Fee earned for the provision of services over a period of time are accrued over that period. Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transactions. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the income statement when the syndication has been completed and the Bank retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants. Other fees receivable or payable are recognized when earned.

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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

*(x) Taxation*

Taxation is provided for in accordance with the fiscal regulations of the Republic of Hungary.

Deferred taxation is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and it is based on tax rates (and laws) that have been enacted or substantively enacted at the statement of Financial Position date.

Dividend income is recognized when the right to receive payment is established.

*(y) Offsetting financial assets and liabilities*

Financial assets and liabilities are offset and the net amount reported in the statement of Financial Position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

*(z) Fiduciary assets*

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

*(aa) Financial guarantees*

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, and the fair value is recognized in other liabilities.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are each measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee and the amount recognized less cumulative amortization. Any change in the fair value relating to financial guarantees is taken to the income statement.

*(ab) Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

*(ac) Operating profit*

Operating profit represents profit from business operations and is defined as profit before tax adjusted with the share of profit or loss of associate.

**CIB BANK LTD.  
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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

*(ad) Cash and cash equivalents*

Cash and cash equivalents for cash-flow purposes comprise balances with an original maturity of three months or less, including: cash and balances with the National Bank of Hungary and banks and other financial institutions, treasury bills and other eligible bills, and loans and advances to banks. Cash and cash equivalents include funds currently held at the National Bank of Hungary as statutory reserve requirements specify minimum average monthly balances and as such these funds are considered available for liquidity management purposes.

*(ae) Borrowing costs*

Borrowing costs are recognized as an expense in the period in which they are incurred except those are directly attributable to the acquisition. Borrowing costs that are directly attributable to the acquisition shall be capitalised as part of the cost of the respective asset.

*(af) Change in Accounting Policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year.

**IAS 1 Presentation of Financial Statements**

The IASB issued revised IAS 1 in September 2007 which has been effective for financial years beginning on or after 1 January, 2009. The standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces a statement of comprehensive income: presenting all items of income and expenses recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements.

**IAS 16 Property, Plant and Equipment**

The amendment replaces the term "net selling price" with "fair value less costs to sell".

**IAS 28 Investment in Associates**

If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loan applies.

**IAS 31 Interest in Joint ventures**

If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirement of IAS 31 to disclose the commitments of the venture and the joint venture as well as summary financial information about the assets, liabilities, income and expense will apply. This amendment has no impact on the consolidated financial statements of the Group because it does not account for its joint ventures at fair value in accordance with IAS 39.

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**(2) Significant accounting policies (continued)**

**IAS 36 Impairment of Assets**

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when discounted cash flows are used to estimate 'value in use'.

**IAS 38 Intangible assets**

Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

**IAS 39 Financial Instruments: Recognition and Measurement and IAS 7 Financial Instruments: Disclosures**

The amendments allow reclassification of certain financial instruments from held for trading and available for sales categories. The new amendments had impact on the consolidated financial statements as the Group has reclassified financial instruments according to the new IAS 39 regulations. (see Note 40)

**IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements**

The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. Both revisions has been effective for financial years beginning on or after 1<sup>st</sup> January, 2009.

**IFRS 2 Share-based Payment**

The IASB issued an amendment to IFRS 2 in January, 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. This amendment has been effective for financial years beginning on or after 1<sup>st</sup> January, 2009. This amendment has no impact on the Group.

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

IFRS 5 specifies certain disclosures required in respect of discontinued operations and non-current assets held for sale.

**IFRS 7 Financial Instruments: Disclosures**

The amendments to IFRS 7 were issued in March, 2009 to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

**IFRS 8 Operating segments**

The IASB issued IFRS 8 in November 2006 which has been effective for financial years beginning on or after 1<sup>st</sup> January, 2009. This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group.

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**(2) Significant accounting policies (continued)**

**IFRIC 13 Customer Loyalty Programmes**

The IFRIC issued IFRIC 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. It was effective for financial years beginning on or after 1 July, 2008. This amendment has no impact on the Group.

**IFRIC 17 Distributions of Non-cash Assets to Owners**

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. It has no effect on the Group's consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

The following standards, amendments and interpretations are not yet effective:

**IAS 27 Consolidated and separate Financial Statements**

In January 2008, the IASB issued the revised IAS 27, affecting consolidated and separate financial statements. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore such transactions will no longer give rise to goodwill, nor will it give rise to gain or loss. Furthermore, the amended standard change the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

**IFRS 3 Business Combinations**

The IASB issued the revised Business Combinations standard in January 2008 which has been effective for financial years beginning on or after 1 July, 2009. The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisitions occurs, and future reported results.

**Amendment to IAS 23 Borrowing Costs**

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The IASB issued the amendment to IAS 23 in April 2007. The revised IAS 23 has been effective for financial years beginning on or after 1<sup>st</sup> January, 2009. The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

**Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation**

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January, 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the Financial Position or performance of the Group, as the Group has not issued such instruments.

**Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items**

These amendments to IAS 39 were issued in August, 2008 and become effective for financial years on or after 1<sup>st</sup> July, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation a hedged risk or



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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the Financial Position or performance of the Group, as the Group has not entered into any such hedges.

**IFRIC 9 and IAS 39 Reassessment of Embedded Derivatives**

The amendments to IFRIC 9 were issued in March 2009 and are effective for annual periods ending on or after 30 June, 2009. The amendments require an entity to assess whether and embedded derivative must be separated from a host contract when the entity reclassified a hybrid financial asset out of the fair value through profit or loss category.

**IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

The IFRIC issued IFRIC 16 in July, 2008. This interpretation provides guidance on the accounting for a hedge of a net investment. This interpretation has been effective prospectively for financial years beginning on or after 1 October, 2008.

**Improvements to IFRSs**

In May, 2008 the Board has issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The Group has not to early adopt the amendments and does not expect that their application to have significant effect.

*(ag) Change in Accounting Judgements and estimates*

In the process of applying the Group's accounting policies, management has made the following changes in judgements and estimations which have most significant effect on the amounts recognised in the consolidated financial statements.

*Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group has tax loss carry forwards. These losses relate to subsidiaries that have a history of losses, do not expire in five years and may not be used to offset taxable income elsewhere in the Group. Due to the current market and economic situation the management considered if subsidiaries will have tax planning opportunities available that could support the recognition of these losses as deferred tax assets. Based on the management's decision subsidiaries has not recognised deferred tax assets on tax loss carry forwards in this year compared to previous years. If the Group would be able to realise all unrealised deferred tax asset in the future profit would be increase by HUF 1,963 million (assuming 19 % income tax rate). The management also made changes in estimates of deferred tax assets relating to allowances on loans and advances relate to subsidiaries provide financial leasing services due to the changes in the relevant income tax regulations.

*General risk reserve*

Under section 87 of Act No. CXII of 1996, banks may establish a general risk reserve of up to 1.25% of risk weighted assets. In 2009 the Bank decided to change the accounting policy regarding the level of general risk reserve and decreased it from the maximum to 0.5 %. If the Group had not changed the estimation of the general risk reserve the total reserve amount would be decreased by HUF 859 million.

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**Notes to the Consolidated Financial Statements  
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**(2) Significant accounting policies (continued)**

*(ah) Reclassifications of prior year's figures*

Certain balances from the prior year have been reclassified to conform with the presentation of these financial statements.

- Balances of customer accounts relating to investment activities of the Group have been reclassified in the presentation of these financial statements.
- To harmonize the different presentation of this financial statements and the Intesa Group presentation deferred tax assets and liabilities the Group has not been offsetted as in the prior years but presented in gross way. Due to the grossing of deferred tax assets and liabilities the total assets has been increased by HUF 2,424 million as at 31 December, 2008 (HUF 1,980 million as at 31 December, 2009).
- The Group reclassified the current tax asset and current tax liabilities form Other assets or Other liabilities to Tax assets or Tax liabilities categories.
- The Group reclassified repossessed tangible assets (cars and other tangible assets except properties) from Inventory to Non-current asset held for sale.
- To ensure the fair and detailed presentation of profit and loss account the Group has broke up the other operating income line into two parts as Income from trading activities and Other operating income. The other operating expenses have also been split up into more categories (see Note 8).
- The net result on sale of loans has also been reclassified to Impairment losses and provisions form the Other operating income category.
- The amount of other expenditures has also been reclassified to Other operating income form Other expenses category.
- Income fees on project financing loans has been reclassified from Account turnover fee income to Servicing fee income from loans

The following table illustrates the reclassifications in 2008 and 2007:

Reclassified item	Previous B/S or P/L category	Current B/S or P/L category	(million HUF)	
			2008	2007
	Other asset	Deposit with banks	16,248	480
<b>Investment accounts</b>	Other asset	Loan and advances to customers	965	3,130
	Other liability	Deposit from banks	8,232	982
	Other liability	Deposit form customers	5,254	7,345
<b>Tax and obligatory</b>	Other asset	Tax asset	5,572	4,825
	Other liabilities	Tax liability	3,201	3,468
<b>Repossessed assets</b>	Inventory	Non-current asset held for sale	69	26
	Operating expenses -	Operating expenses-	909	-
<b>IT software licenses</b>	Rent and leasing	Office and IT maintenance		
	Other operating income	Impairment losses, provisions and net losses on loans	456	-
<b>Result on sale of loans</b>	Operating income	Other operating income	991	-
<b>Other expenditures</b>	Operating expenses			
<b>Fee income on project financing</b>	Account turnover fee income	Servicing fee income from loans	1,445	-

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**(3) Interest income and interest expense**

Interest income comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Interest from banks	5,519	9,309
Interest from customers	152,037	156,490
Interest from financial assets at fair value through profit or loss	6,567	3,279
Interest income from financial investments – Available for sale	16,031	11,888
Interest income from financial investments – Held to maturity	<u>474</u>	<u>642</u>
Total	<u>180,628</u>	<u>181,608</u>

The amount of interest income accrued on impaired financial assets was HUF 6,681 million as at 31 December, 2009. (HUF 4,406 million as at 31 December, 2008).

Interest expense comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Interest paid to banks	31,466	48,470
Interest paid to customers	83,813	64,273
Interest paid on issued securities	<u>5,442</u>	<u>6,229</u>
Total	<u>120,721</u>	<u>118,972</u>

**(4) Fee and commission income and expense**

Fee and commission income comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b> (Reclassified)
Servicing fee income for loans	13,132	15,046
Documentary fee income	2,143	1,885
Cashier fee income	2,269	2,669
Card fee income	4,819	4,430
Account turnover fee income	10,463	11,952
Investment services fee income	4,634	4,046
Other fee income	<u>5,840</u>	<u>5,101</u>
Total	<u>43,300</u>	<u>45,129</u>

Fee and commission expense comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Servicing fee expenses for loans	53	109
Documentary fee expense	253	303
Card fee expense	1,990	1,816
Account turnover fee expense	482	479
Investment services fee expense	652	475
Other fee expense	<u>4,039</u>	<u>4,140</u>
Total	<u>7,469</u>	<u>7,322</u>

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**(5) Income from trading activities**

Income from trading activities comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b> (Reclassified)
Revaluation gains less losses from derivatives and trading with foreign currencies	2,024	18,903
Realised gains less losses from derivatives	43,103	28,857
Revaluation gains less losses from trading with financial assets through profit or loss	198	(1,183)
Realised gains less losses from trading with financial assets through profit or loss	1,324	(4,741)
Gains less losses from financial investments – Available for sale	<u>857</u>	<u>69</u>
Total	<u>47,506</u>	<u>41,905</u>

**(6) Other operating income/(expenditures)**

Other operating income / (expenditures) comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b> (Reclassified)
Gains less losses from selling of tangible and intangible assets	(314)	239
Dividend and similar income	107	352
Result on disposal of goods	485	300
Result on disposal of investments	(104)	-
Other operating income / (expenditures)	<u>(1,342)</u>	<u>(284)</u>
Total	<u>(1,168)</u>	<u>607</u>

**(7) Impairment losses, provisions and net loan losses**

Impairment losses and provisions comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b> (Reclassified)
Individual provision expense for loan losses	72,478	28,164
Individual provision expense for interest on loan	1,976	2,548
Collective provision expense for loan losses	(1,838)	4,349
Provision expense for financial guarantees	479	(306)
Provision expense for other commitments and contingencies	(244)	(57)
Result on sale of loans	(1,728)	(456)
Impairment losses on investment properties	857	-
Other provision expense for other receivables	(340)	804
Other provision expense	<u>(388)</u>	<u>(750)</u>
Total	<u>71,252</u>	<u>34,296</u>

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**(8) Other operating expenses**

Operating expenses comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
		(Reclassified)
Personnel expenses	30,426	34,672
<i>a, Salaries</i>	21,263	23,096
<i>b, Other benefits</i>	773	2,852
<i>c, Social contributions</i>	8,390	8,724
Depreciation	7,408	7,495
Rent and leasing	3,850	3,226
Office and IT maintenance	5,685	5,344
Communications	2,718	2,690
Advertising	2,715	4,480
Other taxes and obligatory fees	2,426	2,034
Material expenses	2,753	2,865
Expert fees	812	693
Other expenses	<u>2,443</u>	<u>4,614</u>
Total	<u>61,236</u>	<u>68,113</u>

**(9) Share of loss of associate**

The Group had a 49 % interest in Intesa Leasing doo Beograd as at 31 December, 2008, a company incorporated in Serbia. In 2009 the majority owner of the associate, Banca Intesa ad Beograd decided about the increasing of share capital of the company in 2009. Due to this increase the Group's ownership decreased to 1,3 %.

The carrying amount of the investment was HUF 130 million (2008: HUF 141 million) and the loss for the year was HUF 11 million as at 31 March, 2009 (203 million as at 31 December, 2008).

**(10) Income tax expense**

The tax expense is based on the corporate income tax payable on the results for the year determined in accordance with Hungarian accounting and taxation rules. The corporate income tax rate of 16% and a special income tax rate of 4 % from 1st September, 2006 are applicable to all Group companies. From 2010 the corporate income tax rate will be changed for 19 % and the special income tax rate of 4 % will be abrogated. For deferred tax calculation purposes the Bank applied the new corporate income tax rates in 2009 too.

Income tax expense comprises:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Current income tax charge	3,915	8,451
<i>A, Corporate Income tax (16 %)</i>	3,310	6,695
<i>B, Special income tax (4 %)</i>	605	1,756
Other income type taxes	4,785	4,352
<i>A, Local business tax</i>	4,205	3,857
<i>B, Innovation contribution</i>	580	495
Deferred income tax	<u>(3,784)</u>	<u>(622)</u>
Total	<u>4,916</u>	<u>12,181</u>

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**(10) Income tax expense (continued)**

The other income type taxes contain the local business tax and the innovation contribution (revenue driven taxes).

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December is as follows:

(million HUF)	<b>2009</b>		<b>2008</b>	
<b>Profit before tax</b>	9,577		40,343	
Income tax at statutory rate	1,532	16.00%	6,455	16.00%
Special tax	222	2.32%	2,048	5.08%
Other income type taxes	4,785	49.96%	4,352	10.79%
Non-deductible expenditure	84	0.88%	23	0.06%
Not deferred carry forward losses	1,653	17.26%	46	0.11%
Non-deductible provisions	(1,185)	(12.37%)	580	1.44%
Participation exemption	(376)	(3.93%)	-	-
Tax incentives not recognized in the income statement	(1,314)	(13.72%)	(1,322)	(3.28%)
Effect of change in deferred tax rate	(603)	(6.30%)	(50)	(0.13%)
Prior period adjustments	(13)	(0.14%)	5	0.01%
Other adjustments	<u>131</u>	1.37%	<u>44</u>	0.11%
Income tax at effective tax rate	<u>4,916</u>	51.33 %	<u>12,181</u>	30.19%

Deferred tax assets and liabilities comprise: (million HUF)	<b>2009</b>		<b>2008</b>		<b>2007</b>	
			(Reclassified)		(Reclassified)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Loans	3,769	331	3,464	-	2,475	-
Leasing	1,394	56	606	77	154	9
Properties	-	1,891	-	1,340	-	1,102
Securities at fair value	-	99	-	166	101	4
Other	<u>209</u>	<u>1,755</u>	<u>232</u>	<u>5,263</u>	<u>376</u>	<u>5,156</u>
Total deferred tax to P&L	<u>5,372</u>	<u>4,132</u>	<u>4,302</u>	<u>6,846</u>	<u>3,106</u>	<u>6,271</u>
Deferred tax to equity	<u>246</u>	=	<u>509</u>	=	=	<u>99</u>
Fair value adjustments	<u>246</u>	=	<u>509</u>	=	=	<u>99</u>
Total deferred tax	<u>5,618</u>	<u>4,132</u>	<u>4,811</u>	<u>6,846</u>	<u>3,106</u>	<u>6,370</u>

Tax assets and liabilities comprise: (million HUF)	<b>2009</b>		<b>2008</b>		<b>2007</b>	
			(Reclassified)		(Reclassified)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Deferred tax	5,618	4,132	4,811	6,846	3,106	6,370
Other taxes and obligatory	<u>8,778</u>	<u>5,005</u>	<u>5,572</u>	<u>3,201</u>	<u>4,825</u>	<u>3,468</u>
Total tax asset / liabilities	<u>14,396</u>	<u>9,137</u>	<u>10,383</u>	<u>10,047</u>	<u>7,931</u>	<u>9,838</u>

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**(11) Dividend paid**

In 2009 and 2008 dividend was not declared for the prior years.

**(12) Comprehensive income**

Other comprehensive income – Net non-realised (loss) / gain on available for sale financial assets

Net non-realised (loss)/gain on available for sale financial assets	(million HUF)	
	<b>2009</b>	<b>2008</b>
Net gains/(losses) from changes in fair value	2,969	(2,017)
Deferred tax effect of net gains/(losses) from changes in fair value	(624)	403
Net (gains)/losses transferred to net profit on disposal and impairment	(857)	109
Deferred tax effect of net (gains)/losses transferred to net profit on disposal	180	(22)
Amortization to net profit	(862)	(1,129)
Deferred tax effect of amortization to net profit	<u>182</u>	<u>226</u>
Total	<u>988</u>	<u>(2,430)</u>

Other comprehensive income - Exchange differences on translation of foreign operations

The other comprehensive income is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries in the amount of HUF 26 million net of taxes as at 31 December, 2009 (2008: HUF (24) million).

**(13) Cash and current accounts with central bank**

Cash and current accounts with the central bank comprise notes and coins of various currencies and nostro accounts with the central bank kept in Hungarian forint. The Bank is required to maintain a minimum average balance for the month equivalent to 2 % (31 December, 2008, 2 %) of Bank's resident customer deposits and foreign customer HUF and currency (less than one year) deposits, with the National Bank of Hungary.

Cash and current accounts with central bank comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Cash	9,698	16,343
Current HUF account with the National Bank of Hungary	<u>38,054</u>	<u>24,938</u>
Total (Included cash and cash equivalents (Note 39))	<u>47,752</u>	<u>41,281</u>

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**(14) Deposits with banks**

Deposits with banks comprise:	(million HUF)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
		(Reclassified)	(Reclassified)
Foreign currency nostro accounts	10,861	7,875	19,241
Deposit with banks less than 90 days	<u>54,930</u>	<u>21,148</u>	<u>66,173</u>
Included in cash equivalents (Note 39)	<u>65,791</u>	<u>29,023</u>	<u>85,414</u>
Deposits with banks more than 90 days	<u>4,315</u>	<u>6,229</u>	<u>10,019</u>
Total	<u>70,106</u>	<u>35,252</u>	<u>95,433</u>

**(15) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Government securities: HUF	—	<u>129</u>
Included in cash equivalents (Note 39)	—	<u>129</u>
Government securities: HUF	11,129	42,096
Government securities: NON-HUF	-	3,403
Bank and corporate bonds: HUF	53	255
Bank and corporate bonds: NON-HUF	950	861
Shares listed on stock exchange: HUF	581	2,071
Shares listed on stock exchange: NON-HUF	-	-
Other securities: HUF	4,193	-
Other securities: NON-HUF	<u>142</u>	<u>169</u>
Total	<u>17,048</u>	<u>48,984</u>

Financial asset at fair value through profit or loss includes only financial assets classified as held for trading. The Group did not designate financial assets as at fair value through profit or loss upon initial recognition.

Income from equity investments and other non-fixed income instruments is recognized in other operating income.



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**(16) Loans and advances to customers**

**Analysis by sector**

The gross loan portfolio may be analyzed by sector as follows:

(million HUF)	2009	%	2008	%
Trading	248,301	10.15	319,326	12.35
Private customers	495,707	20.26	501,897	19.40
Real estate investments	598,994	24.48	628,461	24.30
Other, mostly service industries	629,587	25.74	584,503	22.60
Food processing	70,830	2.90	84,803	3.28
Transportation and communication	48,815	2.00	54,404	2.10
Light industry	71,451	2.92	66,547	2.57
Heavy industry	74,233	3.03	77,864	3.01
Financial activities	98,026	4.01	119,125	4.58
Agriculture	79,909	3.26	117,703	4.55
Chemicals and pharmaceuticals	<u>30,519</u>	<u>1.25</u>	<u>32,593</u>	<u>1.26</u>
Total	<u>2,446,372</u>	<u>100.0</u>	<u>2,587,226</u>	<u>100.0</u>

The leasing subsidiaries of the Bank operate in the domestic leasing market and provide finance lease products to customers. The following tables indicate the key amounts of this activity for the not past due receivables as at 31 December of the year:

	(million HUF)	
	2009	2008
Gross lease receivables due:		
Within one year	142,950	177,505
One to five years	289,309	348,546
More than five years	<u>133,049</u>	<u>200,900</u>
Total	565,308	726,951
The present value of minimum lease payments receivables:	2009	2008
Within one year	109,415	135,241
One to five years	224,248	264,029
More than five years	<u>102,918</u>	<u>146,052</u>
Total	436,581	545,322
Unearned finance income	128,727	181,629
Accumulated allowance for uncollectible minimum lease payments receivable	11,932	8,104

The term of the contracts are between 12 and 96 months except in the case of property leasing contracts where duration could be 35 years also. The interest rates range from 2 % to 8 % above the base rate.

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**(16) Loans and advances to customers (continued)**

**Allowance for incurred loan losses**

Allowance for incurred loan losses comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
		(Reclassified)
Opening balance	<u>75,457</u>	<u>49,471</u>
Increase of allowance during the year	125,365	77,546
Decrease of allowance during the year	(54,477)	(42,941)
Write-off	<u>(14,925)</u>	<u>(8,619)</u>
Closing balance	<u>131,420</u>	<u>75,457</u>

Allowance for incurred loan losses comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Individual allowance	120,523	66,710
Collective allowance	<u>10,897</u>	<u>8,747</u>
	<u>131,420</u>	<u>75,457</u>

In 2009 the Group operated in a strongly recessionary environment, which had an impact on the business performance and this resulted in a negative growth rates in all segment and significantly higher provision building.

In 2009 the Group had provision losses in the amount of HUF 3,749 million (2008: HUF 9,063 million) due to the external frauds and damages relating to the activity of former CIB Inventory Ltd.

The fair value of collateral that the Group holds relating to loans at 31 December 2009 amounts to HUF 1,686,642 million (2008: HUF 1,647,637 million).

**(17) Non-current assets held for sale**

Non-current assets held for sale contains leased assets (mainly cars and other tangible assets) repossessed due to the insolvency of the lessees.

**(18) Other assets**

Other assets comprise:	(million HUF)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
		(Reclassified)	(Reclassified)
Accrued incomes	2,135	882	2,707
Items in transit	2,580	1,490	2,874
Trade receivables	2,739	2,165	3,207
Inventories	92	148	2,881
Other assets	<u>2,227</u>	<u>2,271</u>	<u>678</u>
Total	<u>9,773</u>	<u>6,956</u>	<u>12,347</u>

The inventory contains mainly material products which are used for the banking activity (except in 2007).

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**(19) Financial investments**

Financial investments - Available for sale comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Government securities: HUF	160,064	166,644
Bank and corporate bonds: HUF	328	1,244
Bank and corporate bonds: NON-HUF	-	1,755
Shares listed on stock exchange: NON-HUF	-	283
Other securities: NON-HUF	-	59,482
Equity investment: HUF	<u>139</u>	<u>231</u>
<b>Total</b>	<b><u>160,531</u></b>	<b><u>229,639</u></b>

Financial investments - Held to maturity comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Government securities: HUF	5,908	6,856
Government securities: NON-HUF	<u>86</u>	<u>174</u>
<b>Total</b>	<b><u>5,994</u></b>	<b><u>7,030</u></b>

**(20) Investment properties**

Investment properties	(million HUF)	
	<b>2009</b>	<b>2008</b>
Opening balance	-	-
Additions	24,095	-
Depreciations	(18)	-
Net loss from impairment adjustment	<u>(857)</u>	-
<b>Closing balance</b>	<b><u>23,220</u></b>	<b><u>-</u></b>

Investment properties are carried at historic cost less provisions for depreciation and impairment.

**(21) Intangible assets**

At 31 December, 2009 and 2008, intangible assets and the related accumulated depreciation comprised the following:

(million HUF)	Cost of intangible assets				
	<b>2009</b>	<b>Reclassification</b>	<b>Disposals</b>	<b>Acquisitions</b>	<b>2008</b>
Software licences and development	27,856	118	(368)	2,087	26,019
Goodwill	877	-	-	-	877
Other	<u>1,604</u>	<u>(337)</u>	<u>(1)</u>	<u>1</u>	<u>1,941</u>
<b>Total</b>	<b><u>30,337</u></b>	<b><u>(219)</u></b>	<b><u>(369)</u></b>	<b><u>2,088</u></b>	<b><u>28,837</u></b>

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**(21) Intangible assets (continued)**

(million HUF)	Depreciation of intangible assets				2008
	2009	Reclassification	Disposals	Additions	
Software licences and development	18,417	10	(244)	3,034	15,617
Goodwill	56	-	-	-	56
Other	<u>396</u>	<u>(118)</u>	<u>(1)</u>	<u>9</u>	<u>506</u>
<b>Total</b>	<b><u>18,869</u></b>	<b><u>(108)</u></b>	<b><u>(245)</u></b>	<b><u>3,043</u></b>	<b><u>16,179</u></b>

(million HUF)	Cost of intangible assets				2007
	2008	Reclassification	Disposals	Acquisitions	
Software licences and development	26,019	206	(61)	3,844	22,030
Goodwill	877	-	-	-	877
Other	<u>1,941</u>	<u>(7)</u>	<u>(1)</u>	<u>82</u>	<u>1,867</u>
<b>Total</b>	<b><u>28,837</u></b>	<b><u>199</u></b>	<b><u>(62)</u></b>	<b><u>3,926</u></b>	<b><u>24,774</u></b>

(million HUF)	Depreciation of intangible assets				2007
	2008	Reclassification	Disposals	Additions	
Software licences and development	15,617	153	(12)	3,030	12,446
Goodwill	56	-	-	-	56
Other	<u>506</u>	<u>13</u>	<u>-</u>	<u>51</u>	<u>442</u>
<b>Total</b>	<b><u>16,179</u></b>	<b><u>166</u></b>	<b><u>(12)</u></b>	<b><u>3,081</u></b>	<b><u>12,944</u></b>

(million HUF)	Net book value of intangible assets	
	2009	2008
Software licences and development	9,439	10,402
Goodwill	821	821
Other	<u>1,208</u>	<u>1,435</u>
<b>Total</b>	<b><u>11,468</u></b>	<b><u>12,658</u></b>

The Group applied an impairment test on goodwill whether the carrying amount is less than its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next years. Based on the impairment test the value in use of the goodwill is higher than its' carrying amount. During 2008 and 2009 the Group performed physical stock-taking and certain balances of intangible and tangible assets have been reclassified to conform to its results.

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**(22) Property, plant and equipment**

At 31 December, 2009 and 2008, property, plant and equipment and the related accumulated depreciation comprised the following:

(million HUF)	Cost of property, plant and equipment				2008
	2009	Reclassification	Disposals	Acquisitions	
Land, premises	29,713	1,446	17	299	27,951
Leasehold improvements	11,340	(671)	54	480	11,477
Office furniture, equipment	13,684	(988)	(1,642)	557	15,757
Computer equipment	9,653	434	(1,887)	357	10,749
Motor vehicles	1,060	(5)	(1,200)	48	2,217
Other	<u>132</u>	<u>3</u>	<u>(19)</u>	<u>-</u>	<u>148</u>
Total	<u>65,582</u>	<u>219</u>	<u>(4,677)</u>	<u>1,741</u>	<u>68,299</u>

(million HUF)	Depreciation of property, plant and equipment				2008
	2009	Reclassification	Disposals	Addition	
Land, premises	5,809	691	17	342	4,759
Leasehold improvements	3,036	(138)	54	707	2,413
Office furniture, equipment	7,632	(321)	(1,579)	1,329	8,203
Computer equipment	7,207	(121)	(1,879)	1,770	7,437
Motor vehicles	493	(3)	(486)	199	783
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>24,177</u>	<u>108</u>	<u>(3,873)</u>	<u>4,347</u>	<u>23,595</u>

(million HUF)	Cost of property, plant and equipment				2007
	2008	Reclassification	Disposals	Acquisitions	
Land, premises	27,951	(1,228)	(1,548)	430	30,297
Leasehold improvements	11,477	673	(398)	2,903	8,299
Office furniture, equipment	15,757	657	(133)	2,680	12,553
Computer equipment	10,749	(374)	(181)	1,225	10,079
Motor vehicles	2,217	2	(490)	610	2,095
Other	<u>148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148</u>
Total	<u>68,299</u>	<u>(270)</u>	<u>(2,750)</u>	<u>7,848</u>	<u>63,471</u>

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**(22) Property, plant and equipment (continued)**

(million HUF)	Depreciation of property, plant and equipment				2007
	2008	Reclassification	Disposals	Addition	
Land, premises	4,759	(281)	(87)	328	4,799
Leasehold improvements	2,413	177	(244)	726	1,754
Office furniture, equipment	8,203	262	(8)	1,310	6,639
Computer equipment	7,437	(374)	(164)	1,784	6,191
Motor vehicles	783	-	(241)	266	758
Other	-	-	-	-	-
<b>Total</b>	<b><u>23,595</u></b>	<b><u>(216)</u></b>	<b><u>(744)</u></b>	<b><u>4,414</u></b>	<b><u>20,141</u></b>

During 2008 and 2009 the Group performed physical stock-taking and certain balances of intangible and tangible assets have been reclassified to conform to its results.

Net book value of property, plant and equipment	(million HUF)	
	2009	2008
Land, premises	23,904	23,192
Leasehold improvements	8,304	9,064
Office furniture, equipment	6,052	7,554
Computer equipment	2,446	3,312
Motor vehicles	567	1,434
Other	<u>132</u>	<u>148</u>
<b>Total</b>	<b><u>41,405</u></b>	<b><u>44,704</u></b>

**(23) Deposits from banks**

Deposits from banks comprise:	(million HUF)		
	2009	2008	2007
		(Reclassified)	(Reclassified)
Deposits from banks in Hungary	59,859	62,404	149,839
Deposits from banks in other countries	<u>683,751</u>	<u>1,101,596</u>	<u>681,284</u>
<b>Total</b>	<b><u>743,610</u></b>	<b><u>1,164,000</u></b>	<b><u>831,123</u></b>
<i>- from which related party</i>	<u>561,468</u>	<u>1,009,566</u>	<u>631,047</u>

**(24) Deposits from customers**

Deposits from customers comprise:	(million HUF)		
	2009	2008	2007
		(Reclassified)	(Reclassified)
Deposits from customers in Hungary	1,259,533	1,217,742	1,145,252
Deposits from customers in other countries	<u>300,560</u>	<u>163,468</u>	<u>186,229</u>
<b>Total</b>	<b><u>1,560,093</u></b>	<b><u>1,381,210</u></b>	<b><u>1,331,481</u></b>
<i>- from which related party</i>	<u>224,265</u>	<u>86,905</u>	=

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**(25) Liabilities from issued securities**

Liabilities from issued securities comprise:	(million HUF)	
	<b>2009</b>	<b>2008</b>
Gross amount of issued securities	73,189	88,715
Repurchased amount of issued securities	(11,348)	(22,348)
Accrued interest payable from the net amount of issued securities	<u>1,692</u>	<u>5,694</u>
Net amount of liabilities from issued securities	<u>63,533</u>	<u>72,061</u>

Issued securities listed on the Budapest Stock Exchange comprise the following sets of securities:	(million HUF)	
	<b>2009</b>	<b>2008</b>
<b>CIB 2009A</b> bonds were issued since 1 <sup>st</sup> August, 2006 and will expire on 1 <sup>st</sup> August, 2009. The bonds bear interest at 24 %.	-	25,124
<b>CIB Indexált 2009A</b> bonds were issued since 31st July, 2007 and will expire on 30th January, 2009. The bonds bear interest at 0 - 10% depending on the EUR/HUF exchange rate	-	1,206
<b>CIB 2009B</b> bonds were issued since 1st August, 2007 and will expire on 31st July, 2009. The bonds bear interest at 3 month BUBOR plus 10 basis points	-	2,089
<b>CIB 2009C</b> bonds were issued since 1st August, 2007 and will expire on 31st July, 2009. The bonds bear interest at 7.5 %	-	988
<b>CIB 2010A</b> bonds were issued since 13th February, 2007 and will expire on 12th April, 2010. The bonds bear annual interest at 7 %.	2,158	2,055
<b>CIB 2010B</b> bonds were issued since 8th August, 2007 and will expire on 9th August, 2010. The bonds bear interest at 3 month BUBOR plus 15 basis points.	14,327	10,606
<b>CIB 2010C</b> bonds were issued since 8th August, 2007 and will expire on 9th August, 2010. The bonds bear annual interest at 7.26 %.	10,604	5,322
<b>CIB Classic 2011/A</b> bonds were issued since 29 <sup>th</sup> September, 2008 and will expire on 22nd September, 2011. The bonds bear interest at 3 month BUBOR plus 30 basis points.	3,060	2,955
<b>CIB Classic 2011/B</b> bonds were issued since 22 <sup>nd</sup> September, 2008 and will expire on 22nd September, 2011. The bonds bear interest at 3 month BUBOR plus 70 basis points.	16,489	13,607
<b>CIB Értékőr 2011/A</b> bonds were issued since 29 <sup>th</sup> September, 2008 and will expire on 29nd September, 2011. The bonds' interest is fixed to the National Consumer Price Index.	1,908	3,624
<b>CIB EURÓ Értékőr 2011/A</b> bonds were issued in EUR since 11th August 2008 and will expire on 11nd August, 2011. The bonds' interest is fixed to the National Consumer Price Index.	1,693	4,465
<b>CIB EUOKAM</b> bonds were issued since 15th April 2009 and will expire on 16th April, 2012. The bonds' interest is fixed to ECB prime rate + 2.5 basis points.	1,389	-
<b>CIB 2012/A</b> bonds were issued since 2nd February, 2009 and will expire on 3rd February, 2012. The bonds pay interest of 30.0% at maturity.	7,619	-
<b>CIB K 2012/A</b> bonds were issued since 2nd April, 2009 and will expire on 2nd April, 2012. The bonds' interest is fixed to Hungarian National Bank prime rate + 1.5 basis points.	3,217	-

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**(25) Liabilities from issued securities (continued)**

CIB K 2012/B bonds were issued since 31st July, 2009 and will expire on 31st July, 2012. The bonds' interest is fixed to Hungarian National Bank prime rate + 1 basis point.

Certificate of deposits	1,041	-
CIB Kincsem bonds	20	20
	<u>8</u>	<u>-</u>
<b>Total</b>	<u><b>63,533</b></u>	<u><b>72,061</b></u>

**(26) Other liabilities**

Other liabilities comprise:

	(million HUF)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
		(Reclassified)	(Reclassified)
Accrued liabilities	5,903	9,791	9,049
Items in transit	5,672	14,472	28,096
Suppliers	3,311	3,759	4,876
Financial guarantees (Note 27)	932	453	759
Other liabilities	<u>2,095</u>	<u>826</u>	<u>1,649</u>
<b>Total</b>	<u><b>17,913</b></u>	<u><b>29,301</b></u>	<u><b>44,429</b></u>

**(27) Provisions**

	Financial guarantees	Total	Commitments and contingencies	Other	Total
<b>2009</b>					
Opening balance	<u>453</u>	<u>453</u>	<u>2,020</u>	<u>2,241</u>	<u>4,261</u>
Increase of provision during the year	1,182	1,182	3,374	402	3,776
Decrease of provision during the year	<u>(703)</u>	<u>(703)</u>	<u>(3,618)</u>	<u>(790)</u>	<u>(4,408)</u>
Closing balance	<u>932</u>	<u>932</u>	<u>1,776</u>	<u>1,853</u>	<u>3,629</u>
<b>2008</b>					
Opening balance	<u>759</u>	<u>759</u>	<u>2,077</u>	<u>2,991</u>	<u>5,068</u>
Increase of provision during the year	971	971	4,724	1,397	6,121
Decrease of provision during the year	<u>(1,277)</u>	<u>(1,277)</u>	<u>(4,781)</u>	<u>(2,147)</u>	<u>(6,928)</u>
Closing balance	<u>453</u>	<u>453</u>	<u>2,020</u>	<u>2,241</u>	<u>4,261</u>

The provisions of financial guarantees include allocated amounts for financial guarantee contributions and are recognized in the other liabilities. Provisions for commitment and contingences were created for future credit obligations. All of the provisions are expected that the cost will be incurred over one year.



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**(28) Subordinated deposits**

The Bank has received the following subordinated deposits:

Subordinated deposits comprise:

(million HUF)

	<b>2009</b>	<b>2008</b>
From Intesa Sanpaolo Holding International S.A. (assumed from Všeobecná úverová banka, a.s. in December 2004) for 35 million EUR. The loan's expiry date is 10 November, 2010 and interest is payable at 6 month EURIBOR plus 0.60 %.	9,479	9,267
From Intesa Sanpaolo Holding International S.A. for 15 million EUR. The loan's expiry date is 26 November, 2010 and interest is payable at 6 month EURIBOR plus 0.60 %.	4,063	3,972
From Intesa Sanpaolo Holding International S.A. for 68,5 million EURF). The loan's expiry date is 10 June, 2011 and interest is payable at 6 months EURIBOR plus 0.60 %.	18,553	18,138
From Intesa Bank Ireland plc for 45 million EUR. The loan's expiry date is 26 October, 2014 and interest is payable at 3 month EURIBOR plus 0.80 %;	12,188	11,915
From Intesa Bank Ireland plc for 30 million EUR. The loan's expiry date is 26 November, 2021 and interest is payable at 3 month EURIBOR plus 0.37 %;	8,125	7,943
Accrued interests	<u>45</u>	<u>151</u>
Total	<u>52,453</u>	<u>51,386</u>

**(29) Share capital**

During the year, the authorised share capital was increased by HUF 42,181 million by Intesa Sanpaolo Holding S.A. by the creation of 42,181,430,000 ordinary shares of HUF 1 each.

At 31 December, 2009 the fully paid share capital consisted of 105,000,000,000 ordinary shares of 1 HUF each.

On 12th March, 2008 the Management Board decided to increase the share capital of the Group with HUF 15,300 million.

At 31 December, 2008 the fully paid share capital consisted of 62,818,570,000 ordinary shares of 1 HUF each.

**(30) Reserves**

The Bank has established two statutory reserves, a general risk reserve and a general reserve. Amounts appropriated to these reserves may not be used to pay dividends.

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**(30) Reserves (continued)**

*General risk reserve*

Under section 87 of Act No. CXII of 1996, banks may establish a general risk reserve of up to 1.25% of risk weighted assets. As at 31 December, 2009, due to the change of the accounting policy the Bank has established 0,5 % of the risk weighted assets which representing the reserve amount of HUF 8,715 million. As at 31 December, 2008 the Bank established the maximum permitted reserve amount HUF 22,647 million.

Under Hungarian Law this provision is a tax-deductible expense and must be charged to the Income Statement in the Hungarian statutory accounts. In these financial statements this provision has been treated as an appropriation of retained earnings to comply with International Financial Reporting Standards.

*General reserve*

Under section 75 of Act No. CXII of 1996, an amount equal to 10% of net profit after tax per Bank's Hungarian statutory accounts must be transferred to a non-distributable general reserve.

**(31) Commitments and contingencies**

The Bank had the following commitments and contingent liabilities as at 31 December:

<b>2009</b>	(million HUF)		
	Gross amount	Provision	Net amount
Guarantees	124,993	(928)	124,065
Letters of credit	<u>11,259</u>	<u>(4)</u>	<u>11,255</u>
Total financial guarantees	<u>136,252</u>	<u>(932)</u>	<u>135,320</u>
Loans and overdraft facilities not disbursed	<u>253,405</u>	<u>(1,776)</u>	<u>251,629</u>
Total	<u>389,657</u>	<u>(2,708)</u>	<u>386,949</u>

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**(31) Commitments and contingencies (continued)**

<b>2008</b>	(million HUF)		
	Gross amount	Provision	Net amount
Guarantees	160,784	(445)	160,339
Letters of credit	<u>3,006</u>	<u>(8)</u>	<u>2,998</u>
Total financial guarantees	<u>163,790</u>	<u>(453)</u>	<u>163,337</u>
Loans and overdraft facilities not disbursed	<u>426,128</u>	<u>(2,020)</u>	<u>424,108</u>
Total	<u>589,918</u>	<u>(2,473)</u>	<u>587,445</u>

Letters of credit, guarantees (including standby letters of credit) and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customers to perform under the terms of contract. Guarantees and standby letters of credit carry the same credit risk as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit, guarantees, and endorsement liabilities from bills rediscounted.

Commitment to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses.

The amount of the securities in custody is HUF 1,523,789 million at 31 December, 2009 (2008: HUF 1,350,087 million).

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(32. a) Derivative financial instruments

Derivative financial instruments as at 31 December, 2009

The table shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference date or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

(million HUF)

	Notional amount with remaining life			Fair value	
	Less than one year	More than one year, less than 5 years	More than 5 years	Asset	Liability
<b>Interest rate derivatives</b>					
Forward rate agreements	273,047	-	-	38	215
Interest rate swaps	1,088,116	499,391	42,234	23,189	22,902
Interest rate options	18,490	23,456	-	248	248
Subtotal	<u>1,379,653</u>	<u>522,847</u>	<u>42,234</u>	<u>23,475</u>	<u>23,365</u>
<b>Currency derivatives</b>					
Forward exchange contracts	83,368	3,832	-	1,135	1,568
Currency swaps	1,256,914	-	-	11,965	13,574
Currency interest rate swaps	85,828	-	-	842	143
Foreign exchange options	36,175	76,927	-	2,850	2,854
Subtotal	<u>1,462,285</u>	<u>80,759</u>	-	<u>16,792</u>	<u>18,139</u>
Total	<u>2,841,938</u>	<u>603,606</u>	<u>42,324</u>	<u>40,267</u>	<u>41,504</u>

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Notes to the Consolidated Financial Statements  
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(32. b) Derivative financial instruments (continued)

Derivative financial instruments as at 31 December, 2008

(million HUF)	Notional amount with remaining life		Total	Fair value	
	Less than one year	More than one year, less than 5 years		Asset	Liability
<b>Interest rate derivatives</b>					
Forward rate agreements	3,334,047	380,000	3,714,047	10,370	9,974
Interest rate swaps	1,436,199	1,036,626	2,544,256	33,041	35,561
Interest rate options	-	51,735	51,735	168	169
Subtotal	<u>4,770,246</u>	<u>1,468,361</u>	<u>6,310,038</u>	<u>43,579</u>	<u>45,704</u>
<b>Currency derivatives</b>					
Forward exchange contracts	217,451	11,394	228,845	8,649	5,132
Currency swaps	1,787,051	1,879	1,788,930	32,952	52,435
Currency interest rate swaps	99,657	-	99,657	2,844	3,889
Foreign exchange options	86,149	99,967	186,116	4,455	4,486
Subtotal	<u>2,190,308</u>	<u>113,240</u>	<u>2,303,548</u>	<u>48,900</u>	<u>65,942</u>
Total	<u>6,960,554</u>	<u>1,581,601</u>	<u>8,613,586</u>	<u>92,479</u>	<u>111,646</u>

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**(33. a) Carrying amount of assets and liabilities at 31 December, 2009 by earlier of contractual repricing or maturity date**

	Immediately rate- sensitive	Under 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
<b>Assets</b>								
Cash and current accounts with central bank	38,054	-	-	-	-	-	9,698	47,752
Effective interest rates	6.25	-	-	-	-	-	-	4.98
Deposits with banks	12,308	54,071	3,699	28	-	-	-	70,106
Effective interest rates	0.00	2.29	1.83	1.75	-	-	-	1.87
Financial assets at fair value through profit or loss	-	70	654	7,105	1,649	2,655	4,915	17,048
Effective interest rates	-	6.41	6.13	5.99	7.14	7.02	-	4.54
Derivative financial assets	-	11,461	16,289	10,177	2,340	-	-	40,267
Loans and advances to customers	283,191	656,093	795,314	532,724	28,226	19,404	-	2,314,952
Effective interest rates	9.83	4.98	5.40	6.17	5.37	2.93	-	5.98
Financial investments	-	142,623	8,151	5,372	10,240	-	139	166,525
Effective interest rates	-	6.74	6.35	6.30	7.20	-	-	6.73
Other assets	-	-	-	-	-	-	100,546	100,546
<b>Liabilities</b>								
Deposits from banks	718	229,325	425,491	83,081	4,977	18	-	743,610
Effective interest rates	1.63	1.49	1.38	1.65	2.99	3.21	-	1.45
Derivative financial liabilities	-	11,956	19,051	8,068	2,429	-	-	41,504
Deposits from customers	390,086	469,190	526,924	164,723	8,863	307	-	1,560,093
Effective interest rates	1.83	5.11	5.09	4.96	7.08	5.00	-	4.28
Liabilities from issued securities	-	4,634	38,518	12,762	7,619	-	-	63,533
Effective interest rates	-	6.60	6.73	7.22	10.00	-	-	7.21
Subordinated deposits	-	12,220	-	40,233	-	-	-	52,453
Effective interest rates	-	1.52	-	1.55	-	-	-	1.54
Other liabilities	-	-	-	-	-	-	30,679	30,679
<b>Net repricing gap</b>	<b>(57,251)</b>	<b>136,993</b>	<b>(185,877)</b>	<b>246,539</b>	<b>18,567</b>	<b>21,734</b>	<b>84,619</b>	<b>265,324</b>

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**Notes to the Consolidated Financial Statements  
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(33. b) Carrying amount of assets and liabilities at 31 December, 2008 by earlier of contractual repricing or maturity date**

	Immediately rate- sensitive	Under 1 month	From 1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
<b>Assets</b>								
Cash and current accounts with central bank	24,938	-	-	-	-	-	16,343	41,281
Effective interest rates	10.00	-	-	-	-	-	-	6.04
Deposits with banks	24,000	6,228	4,832	192	-	-	-	35,252
Effective interest rates	0.00	2.51	2.15	5.74	-	-	-	0.77
Financial assets at fair value through profit or loss	-	724	4,715	25,661	12,566	3,077	2,241	48,984
Effective interest rates	-	9.30	8.73	8.71	8.95	7.54	-	8.31
Derivative financial assets	-	19,176	35,976	31,052	6,275	-	-	92,479
Loans and advances to customers	200,729	849,475	928,279	434,657	25,637	72,992	-	2,511,769
Effective interest rates	11.74	6.80	6.78	5.43	5.33	4.22	-	6.86
Financial investments	-	5,702	72,190	94,610	43,029	20,624	514	236,669
Effective interest rates	-	5.68	5.02	8.44	9.21	8.84	-	7.49
Other assets	-	-	-	-	-	-	74,797	74,797
<b>Liabilities</b>								
Deposits from banks	9,546	417,315	658,593	58,472	20,020	54	-	1,164,000
Effective interest rates	0.54	4.07	3.55	4.16	2.56	2.54	-	3.73
Derivative financial liabilities	-	34,092	45,916	27,422	4,216	-	-	111,646
Deposits from customers	391,884	372,511	423,002	174,486	18,997	330	-	1,381,210
Effective interest rates	3.56	7.18	9.58	8.33	7.46	5.85	-	7.04
Liabilities from issued securities	-	889	37,564	26,029	7,579	-	-	72,061
Effective interest rates	-	7.45	10.47	7.98	7.19	-	-	9.19
Subordinated deposits	-	12,031	-	39,355	-	-	-	51,386
Effective interest rates	-	5.63	-	3.78	-	-	-	4.21
Other liabilities	-	-	-	-	-	-	43,609	43,609
<b>Net repricing gap</b>	(151,763)	44,467	(119,083)	260,408	36,695	96,309	50,286	217,319

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**(34. a) Carrying amount of assets and liabilities by maturity date**

The maturity profile of the Bank's assets and liabilities as at 31 December, 2009 were:

	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>Assets</b>						
Cash and current accounts with banks	47,752	-	-	-	-	47,752
Deposits with banks	65,727	64	28	4,287	-	70,106
Financial assets at fair value through profit or loss	70	650	7,104	1,653	7,571	17,048
Derivative financial assets	8,855	12,724	6,010	11,932	746	40,267
Loans and advances to customers	345,170	92,536	319,024	677,979	880,243	2,314,952
Financial investments	142,622	8,151	5,051	10,562	139	166,525
Non-current assets held for sale	-	-	284	-	-	284
Tax assets	-	-	-	14,396	-	14,396
Other assets	2,134	-	2,672	4,967	-	9,773
Intangible assets, property, plant and equipment, investment property	-	-	-	23,220	52,873	76,093
<b>Total Assets</b>	<b>612,330</b>	<b>114,125</b>	<b>340,173</b>	<b>748,996</b>	<b>941,572</b>	<b>2,757,196</b>
<b>Liabilities</b>						
Deposits from banks	59,252	7,121	111,514	426,729	138,994	743,610
Derivative financial liabilities	9,377	14,618	5,032	11,525	952	41,504
Deposits from customers	733,020	323,048	239,424	261,094	3,507	1,560,093
Liabilities from issued securities	-	-	27,089	36,444	-	63,533
Tax liabilities	-	-	-	9,137	-	9,137
Other liabilities	5,904	-	5,672	6,337	-	17,913
Provisions	-	-	-	3,629	-	3,629
Subordinated deposits	33	-	13,554	30,741	8,125	52,453
<b>Total Liabilities</b>	<b>807,586</b>	<b>344,787</b>	<b>402,285</b>	<b>785,636</b>	<b>151,578</b>	<b>2,491,872</b>
<b>Net position</b>	<b>(195,256)</b>	<b>(230,662)</b>	<b>(62,112)</b>	<b>(36,640)</b>	<b>789,994</b>	<b>265,324</b>



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**(34. b) Carrying amount of assets and liabilities by maturity date**

The maturity profile of the Bank's assets and liabilities as at 31 December, 2008 were:

	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>Assets</b>						
Cash and current accounts with banks	41,281	-	-	-	-	41,281
Deposits with banks	11,464	1,288	2,441	20,059	-	32,252
Financial assets at fair value through profit or loss	724	4,030	26,342	12,660	5,228	48,984
Derivative financial assets	15,413	23,972	30,720	20,785	1,589	92,479
Loans and advances to customers	340,708	111,800	415,654	701,694	941,913	2,511,769
Financial investments	2,379	18,636	89,753	43,422	82,479	236,669
Non-current assets held for sale	-	-	96	-	-	96
Tax assets	-	-	-	10,383	-	10,383
Other assets	881	-	1,638	4,437	-	6,956
Intangible assets, property, plant and equipment, investment property	-	-	-	-	57,362	57,362
<b>Total Assets</b>	<b>412,850</b>	<b>159,726</b>	<b>566,644</b>	<b>813,440</b>	<b>1,088,571</b>	<b>3,041,231</b>
<b>Liabilities</b>						
Deposits from banks	250,805	248,717	46,915	354,861	262,702	1,164,000
Derivative financial liabilities	28,589	31,455	32,406	18,354	842	111,646
Deposits from customers	718,292	311,321	237,105	101,031	13,461	1,381,210
Liabilities from issued securities	889	-	28,159	43,013	-	72,061
Tax liabilities	-	-	-	10,047	-	10,047
Other liabilities	9,791	-	14,472	5,038	-	29,301
Provisions	-	-	-	4,261	-	4,261
Subordinated deposits	115	-	36	31,376	19,859	51,386
<b>Total Liabilities</b>	<b>1,008,481</b>	<b>591,493</b>	<b>359,093</b>	<b>567,981</b>	<b>296,864</b>	<b>2,823,912</b>
<b>Net position</b>	<b>(595,631)</b>	<b>(431,767)</b>	<b>207,551</b>	<b>245,459</b>	<b>791,707</b>	<b>217,319</b>

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**(35) Analysis of financial liabilities by remaining contractual maturities**

The following table summarise the maturity profile of the Group's financial liabilities as at 31 December. Trading derivatives are shown at fair value in a separate column. Repayments which are not subject to notice are treated as if notice were to be given immediately.

2009	Trading derivatives	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>Liabilities</b>							
Deposits from banks	-	59,369	8,218	117,832	480,448	161,213	827,080
Deposits from customers	-	733,924	327,577	251,888	274,472	4,201	1,592,062
Subordinated deposits	-	47	-	14,286	34,108	11,059	59,500
Trading derivatives	<u>41,504</u>	-	-	-	-	-	<u>41,504</u>
<b>Total undiscounted financial liabilities</b>	41,504	793,340	335,795	384,006	789,028	176,473	2,520,146
<b>2008</b>							
<b>Liabilities</b>							
Deposits from banks	-	251,256	253,045	66,218	419,145	282,879	1,272,543
Deposits from customers	-	719,263	316,891	248,419	112,510	20,265	1,417,348
Subordinated deposits	-	169	-	2,013	35,772	23,498	61,452
Trading derivatives	<u>111,646</u>	-	-	-	-	-	<u>111,646</u>
<b>Total undiscounted financial liabilities</b>	111,646	970,688	569,936	316,650	567,427	326,642	2,862,989

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**(36) Related Party Transactions**

*(a) Companies (Intesa Sanpaolo Group)*

For the purpose of the financial statements, related parties include all the enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the reporting enterprise (this includes parents, subsidiaries and fellow subsidiaries), associated companies and key management personnel.

Intesa Sanpaolo (parent) is regarded as related party which has significant control in the Bank.

The Group also has entered into several transaction with companies controlled by Intesa Sanpaolo Group.

All transactions with companies in the Intesa Sanpaolo Group are conducted at market rates. Balances and commitments at 31st December, 2009 constitute 1 % of total assets, and 31 % of total liabilities and are set out below.

	(million HUF)					
	Parent	2009 Fellow Subsidiaries	Total	Parent	2008 Fellow subsidiaries	Total
<b>Assets</b>						
Current accounts	8,171	44	8,215	1,604	626	2,230
Placements	22,835	-	22,835	676	-	676
Fair value of derivatives	3,204	342	3,546	11,550	209	11,759
<b>Liabilities</b>						
Current accounts	17	78	95	-	-	-
Deposits	392,226	393,412	785,638	535,603	560,868	1,096,471
Subordinated deposit	32,096	20,357	52,453	31,380	20,006	51,386
Fair value of derivatives	5,294	593	5,887	11,123	541	11,664
<b>Commitments</b>						
Guarantees	6	82	88	4	1,324	1,328
Letters of credit	-	-	-	-	51	51
Interest rate derivatives	475,249	50,714	525,963	146,102	38,862	184,964
Currency derivatives	437,594	13,274	450,868	410,105	-	410,105
Interest expenses, net	(9,844)	(12,987)	(22,831)	(10,590)	(18,901)	(29,491)

*(b) Key management personnel*

The key management personnel who have authority and responsibility for planning, directing and controlling the activities of the entity, are the members of the Bank's Board of Directors, Supervisory Board and Management Committee. They receive conditions generally applied to the employees of the CIB Group. There were changes and extension in the Group's key management members during 2009. (Number of key management member was 13 in 2008 and 25 in 2009)

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**(36) Related Party Transactions (continued)**

	(million HUF)	
	2009	2008
<b>Assets</b>		
Current accounts	3	4
Loan	270	142
Fair value of derivatives	-	71
<b>Liabilities</b>		
Current accounts	130	403
Deposits	1,307	668
Fair value of derivatives	3	114
<b>Commitments</b>		
Loans and overdraft facilities not disbursed	40	69
<b>Compensation</b>		
Salaries and other short-term benefits	856	518

**(37) Average balances**

Averages carrying amounts and average interest rates (where appropriate) are set out in the table below. The amounts are calculated by using a simple average of daily balances for trading instruments and monthly balances for other instruments. The average interest rates disclosed are the weighted average effective yields of interest-bearing financial instruments for the reporting period.

**Average balances as at 31 December, 2009**

	(million HUF)			
	2009		2008	
	Average carrying amount	Average interest rate (%)	Average carrying amount	Average interest rate (%)
<b>Financial assets</b>				
Cash and current accounts with central bank	74,453	4.02	98,569	6.28
Deposit with banks and subordinated loans	55,558	4.11	51,710	5.96
Financial assets at fair value through profit or loss	85,200	8.05	48,430	6.58
Loans and advances to customers	2,589,221	5.88	2,373,276	6.45
Financial investments	237,800	6.92	171,704	6.92
Other assets	221,145	-	161,615	-
<b>Financial liabilities</b>				
Deposits from banks	1,026,491	2.24	1,067,071	4.45
Deposits from customers	1,607,483	5.68	1,331,000	5.03
Liabilities from issued securities	64,272	8.44	79,191	7.71
Subordinated deposits	54,562	2.71	49,031	5.41
Other liabilities	267,591	-	186,862	-

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**(38) Fair value of financial assets and liabilities**

The following tables comprise the book value and the fair value of those financial assets and liabilities, which are not presented at fair value in the statement of Financial Position.

2009	(million HUF)			
	Exposed to cash flow risk		Exposed to fair value risk	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
Financial assets				
Deposits with banks	16,456	16,491	53,650	53,657
Loans and advances to customers	2,267,086	2,368,517	47,866	47,812
Financial investments – Held to maturity	-	-	5,994	6,567
Financial liabilities				
Deposits from banks	676,696	676,864	66,914	66,950
Deposits from customers	765,011	769,676	795,082	797,289
Subordinated deposits	52,453	52,617	-	-
Liabilities from issued securities	20,410	21,887	43,123	43,860

2008	(million HUF)			
	Exposed to cash flow risk		Exposed to fair value risk	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
(Reclassified)				
Financial assets				
Deposits with banks	30,077	30,094	5,175	5,183
Loans and advances to customers	2,483,286	2,586,949	28,483	28,235
Financial investments – Held to maturity	-	-	7,030	7,208
Financial liabilities				
Deposits from banks	638,906	644,081	525,094	526,303
Deposits from customers	630,666	632,765	750,544	750,053
Subordinated deposits	51,386	51,930	-	-
Liabilities from issued securities	38,552	38,689	33,509	33,134

The methods of the fair value calculations are detailed in the following paragraphs:

The estimated fair value of deposits with banks and loans and advances to customers are based on the discounted amount of the estimated future cash flows.

In case of financial investments – Held to maturity and liabilities from issued securities the fair values are measured with the actual market price or with the broker price quotations.

Deposits from banks and customers have been estimated using the method of discounted cash flow.

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**(38) Fair value of financial assets and liabilities (continued)**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<b>31 December, 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Derivative financial assets	-	40,267	-	40,267
Financial assets at fair value through profit or loss	12,855	4,193	-	17,048
Financial investments - Available for sale	20,613	139,918	-	160,531
<b>Financial liabilities</b>				
Derivative financial liabilities	-	41,504	-	41,504
<b>31 December, 2008</b>				
<b>Financial assets</b>				
Derivative financial assets	-	92,479	-	92,479
Financial assets at fair value through profit or loss	23,048	25,936	-	48,984
Financial investments - Available for sale	97,944	70,458	61,237	229,639
<b>Financial liabilities</b>				
Derivative financial liabilities	-	111,646	-	111,646

During the reporting period ending 31 December, 2009 there were no transfer between Level 1 and Level 2 fair value measurements and no transfers into Level 3 fair value measurement. The Group reclassified municipal bonds from financial investments available for sale which belonged to Level 3 to loan and advances category. (See note 40).

**(39) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalent comprises the following balances with less than three months maturity from the date of acquisition.

	(million HUF)	
	<b>2009</b>	<b>2008</b>
		(Reclassified)
Cash and current account with central bank (Note 13)	47,752	41,281
Deposits with banks (Note 14)	65,791	29,023
Financial assets at fair value through profit or loss (Note 15)	-	129
<b>Total</b>	<u>113,543</u>	<u>70,433</u>

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**(40) Reclassification based on IAS 39**

Following the amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets (issued in October 2008 and effective from 1 July 2008) the Group reclassified municipal bonds from Available for sale category toward Loans and Receivables with the carrying value of HUF 61,185 million. The transfer value was the fair value at 30 September, 2009 (reclassification date). The nominal value of the bonds was HUF 63,873 million. The amount of AFS reserve was HUF (1,574) million at the reclassification date which will be amortise until maturity. It was determined by the Group that the market for these assets is no longer active and the Group no longer intends to trade. The management also considered the credit risk of these assets as significant for measurement purposes. This reclassification has only been performed where the Bank, at the reclassification date, has the clear intention and ability to hold the financial asset until maturity.

**(41) Business combinations**

Business combinations in 2009

On 31st October, 2009 Margit Ltd and Erfi 2000 Ltd merged legally into CIB REAL Ltd. due to the same activities of the companies. The merge had been accounted for and presented in the financial statement using the pooling of interests method.

On 31st October, 2009 CIB Inventory Ltd, CIB Service Ltd. IE Services Ltd and IE Beruházó Ltd merged legally into a new company due to the same activities of the companies. The name of the new company is CIB Support Ltd. The merge had been accounted for and presented in the financial statement using the pooling of interests method also.

In December 2009 the Group acquired 100% ownership in Brivon Ltd in a framework of Debt-Equity swap transaction. The subsidiary provides property maintenance services.

In December 2009 the Group acquired 100 % ownership in the following companies: Lánchíd Palota Ltd, CSB Plaza Ltd and Hotel Wien Ltd also in a framework of Debt-Equity swap transaction. The Group had control over these subsidiaries also in 2008 but they were excluded from consolidation due to immaterial effect of these company's activities on the Group. The main assets of these companies are buildings connected to financial leasing services which were classified as investment property in this financial statement.

Business combinations in 2008

On 31st May, 2008 the CIB Investment Fund Management Co. Ltd merged with Inter-Európa Investment Fund Management Ltd due to the same activities of the companies. The merge had been accounted for and presented in the financial statement using the pooling of interests method also.

On 20th October, 2008 the Group acquired 100% ownership in Óbuda Dunapart Ltd. The subsidiary provides property leasing services. The acquired company contributed operating profit of HUF 309 million for the period from 1 November to 31 December 2008.

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**(42) Disposals of subsidiaries**

During 2009 the Group disposed of the following subsidiaries:

	Date of disposal
• CIL Danubius Co. Ltd	30 November, 2009
• CIL Bajor Ltd.	21 December, 2009
• CIL Golf Ltd.	22 December, 2009
• CIL Nagytétény Ltd.	4 December, 2009
• CIL Váci út Ltd.	21 December, 2009
• CIL Log Ltd.	20 July, 2009

All of the subsidiaries provided property leasing services. The Group contributed HUF 104 million total losses on disposals.

**(43) Segment report**

For management purposes the Group is organised into operating segments based on services and products. The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed on a Group basis and are not allocated to operating segments.

The following segments could be distinguished from each other:

- Retail banking and corporate banking contain banking services, private customer current accounts, savings, deposits, investment savings products, customer loans and mortgages.
- Treasury and Bank segment contains trading and treasury services.
- Leasing contains the result from the leasing subgroup activity.
- The other segment contains both the subsidiaries whose activities are not financial and public sector.



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**(43) Segment report as at 31 December, 2009 (continued)**

	2009	Retail banking	Corporate banking	Treasury/Bank	Leasing	Other	Group
<b>Net banking income</b>		<b>45,473</b>	<b>40,440</b>	<b>4,784</b>	<b>34,069</b>	<b>17,299</b>	<b>142,065</b>
Provisions		(7,217)	(40,411)		(24,208)	584	(71,252)
<b>Segment result</b>		<b>38,256</b>	<b>29</b>	<b>4,784</b>	<b>9,861</b>	<b>17,883</b>	<b>70,813</b>
Unallocated cost							(61,236)
Profit before tax							9,577
Income tax							(4,916)
Profit for the year							4,661
<b>Segment assets</b>		<b>501,329</b>	<b>1,313,895</b>	<b>293,807</b>	<b>481,995</b>	<b>151,774</b>	<b>2,742,800</b>
Loan and advances to customers		501,329	1,313,895	-	481,995	17,733	2,314,952
Deposit with banks				70,106			70,106
Securities				183,434		139	183,573
Derivative financial assets				40,267			40,267
Other assets						133,902	133,902
Unallocated assets						14,396	14,396
Total asset		501,329	1,313,895	293,807	481,995	166,170	2,757,196
<b>Segment liabilities</b>		<b>792,973</b>	<b>487,876</b>	<b>1,061,832</b>	<b>-</b>	<b>140,054</b>	<b>2,482,735</b>
Deposit from customers		792,973	487,876	224,265		118,512	1,623,626
Deposit from banks and subordinated deposits				796,063			796,063
Derivative financial liabilities				41,504		21,542	41,504
Other						9,137	21,542
Unallocated liabilities						149,191	9,137
Total liabilities		792,973	487,876	1,061,832	-	149,191	2,491,872
Total shareholders' equity						265,324	265,324
Net banking income of other segment is due to the transfer interest on non-interested asset and liabilities classified to other segment category.							

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(43) Segment report as at 31 December, 2008 (continued)	Retail banking	Corporate banking	Treasury/Bank	Leasing	Other	Group
2008						
<b>Net banking income</b>	<b>37,242</b>	<b>46,974</b>	<b>11,814</b>	<b>23,785</b>	<b>24,981</b>	<b>144,795</b>
Provisions	(6,163)	(21,430)		(7,243)	540	(34,296)
<b>Segment result</b>	<b>31,079</b>	<b>25,545</b>	<b>11,814</b>	<b>16,541</b>	<b>25,122</b>	<b>108,456</b>
Unallocated cost						(68,113)
Profit before tax						40,343
Income tax						(12,181)
Profit for the year						28,162
<b>Segment assets</b>	<b>522,653</b>	<b>1,403,730</b>	<b>413,245</b>	<b>581,382</b>	<b>109,838</b>	<b>3,030,848</b>
Loan and advances to customers	522,653	1,403,730	-	581,382	4,004	2,511,769
Deposit with banks			35,252			35,252
Securities			285,514		139	285,653
Derivative financial assets			92,479			92,479
Other assets					105,695	105,695
Unallocated assets					10,383	10,383
Total asset	522,653	1,403,730	413,245	581,382	120,221	3,041,231
<b>Segment liabilities</b>	<b>727,223</b>	<b>562,483</b>	<b>1,413,937</b>	<b>-</b>	<b>110,222</b>	<b>2,813,865</b>
Deposit from customers	727,223	562,483	86,905		76,660	1,453,271
Deposit from banks						
and subordinated deposits			1,215,386			1,215,386
Derivative financial liabilities			111,646			111,667
Other					33,562	33,562
Unallocated liabilities					10,047	10,047
Total liabilities	727,223	562,483	1,413,937	-	120,269	2,823,912
Total shareholders' equity					217,319	217,319
Net banking income of other segment is due to the transfer interest on non-interested asset and liabilities classified to other segment category.						

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**(44) Risk management**

Risk is inherent in the Group's activities, but it is carefully managed through a process of ongoing identification, measurement and monitoring, subject to prudent risk limits and strong control. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The most significant business risks to which the Group is exposed are credit, interest rate, liquidity and foreign exchange risks. It is also subject to operating risks.

The Board of Directors of Bank, within the rules established by the National Bank of Hungary, the Hungarian Financial Supervisory Authority and Intesa Sanpaolo SpA, sets risk management policies. The Management Committees of the Group implement the execution of these policies.

The Risk Management Division is responsible for implementing and maintaining risk related procedures to ensure an independent control process. Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. Activity of Treasury supervised on a daily basis by Market Risk Division and strategic ALM decisions are made by ALCO.

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal audit discusses the results of all assessments with management.

The Group has established reporting systems, which permit the continuous monitoring of risk exposures. The risks are measured and quantified according to different methods, both statistical and non-statistical. Each method is based on different levels of uncertainty. The combination of methods makes it possible for the Group to assess the behaviour of its exposure in different risk scenarios in order to capture all the aspects of the risk. This reflects both the expected loss likely to arise in normal circumstances and unexpected loss, which is an estimate of the ultimate actual loss based on statistical models.

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and any exposures arising from forecasted transactions. The Group actively uses collaterals to reduce its credit risks.

Concentration arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk the Group procedures focus on maintaining a diversified portfolio.

**(a) Credit risk**

Credit risk is the risk that a customer or counter party will be unable or unwilling to meet a commitment that they have entered into with a member of the Group. It arises from lending, trade finance, treasury and other activities undertaken by Group companies. Credit risk on loans and receivables is managed by the Board of Directors through the Credit Committee and the Problem Asset Committee, which establish credit regulations

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**(44) Risk management (continued)**

including the approval process, discretionary credit limits, standards for the measurement of credit exposures, risk ratings of clients and assessments of management quality and financial performance.

Each significant outstanding loan is reviewed at least monthly. Loans are classified based on a point rating system, which incorporates qualitative and quantitative factors.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of Financial Position. Credit risk on trading instruments is managed by the Board of Directors through the Asset-Liability Committee. The Group maintains strict control on open net positions, i.e. the difference between purchase and sale contracts, by both amount and term.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below shows the maximum exposure to credit risk for the component of the statement of Financial Position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

(million HUF)	<b>2009</b>	<b>2008</b> (Reclassified)
Cash and balances with central bank	47,752	41,281
Deposit with banks and subordinated loans	70,130	35,425
Financial assets at fair value through profit and loss	17,048	48,984
Derivative financial instruments	40,267	92,570
Loans and advances to customers	2,446,372	2,587,226
Financial investments – Available for sale	160,531	229,639
Financial investments – Held to maturity	5,994	7,030
Other assets	<u>17,670</u>	<u>11,623</u>
<b>Total</b>	<b>2,805,764</b>	<b>3,053,778</b>
Financial guarantees	136,252	163,790
Commitments	253,405	426,128

The fair values of derivatives shown on the statement of Financial Position represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in values.

The Group's financial assets for loan portfolio before taking into account any collateral held or other credit enhancement can be analysed by the following geographical regions:

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**(a) Credit risk (continued)**

(million HUF)	<b>2009</b>	<b>2008</b> (Reclassified)
Italy	415	602
America	99	413
Hungary	2,391,336	2,535,897
Euro Zone countries	43,158	38,956
Far East	118	242
European but Non-Euro Zone countries	11,175	10,555
Other regions	<u>71</u>	<u>561</u>
<b>Total</b>	<b>2,446,372</b>	<b>2,587,226</b>

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements in Note 16.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, mortgage charges over real estate properties, inventory and trade receivables;

The Group also obtains guarantees from parent companies for loans to their subsidiaries. The Group monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The Credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality of the customer loan portfolio, based on the Group's credit rating system.

<b>2009</b>	<b>Performing</b>	<b>Non-Performing</b>
A	21,472	126
B	262,149	4,345
C	839,996	38,956
D	211,064	29,453
E	29,903	20,601
R	28,827	147,740
Other	42,835	7,457
Retail	687,320	74,128
<b>Total</b>	<b>2,123,566</b>	<b>322,806</b>

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**(a) Credit risk (continued)**

<b>2008</b>	<b>Performing</b>	<b>Non-Performing</b>
	(Reclassified)	
A	24,207	168
B	320,730	3,486
C	1,033,409	20,059
D	205,896	21,140
E	52,065	16,892
R	25,859	58,255
Other	6,067	163
Retail	761,979	36,851
<b>Total</b>	<b>2,430,212</b>	<b>157,014</b>

(A=Excellent, B=Stable, C=Acceptable, D=High risk, E=Insolvent, R=defaulted)

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The attributable risk ratings are assessed and updated regularly.

The table below shows the credit quality of the deposit with banks portfolio, based on the external rating system.

	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Less than B-	Not rated	Total
<b>2009</b>	33,964	4,999	19,004	14	120	-	12,005	<b>70,106</b>
<b>2008</b>	5,162	2,961	684	34	883	-	25,528	<b>35,252</b>

The table below shows the aging analysis of past due but not individually impaired loans under full contamination by segment:

<b>2009</b>	<b>Under 1 month</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Over 91 days</b>	<b>Total</b>
Large corporate loans	70,644	17,212	13,033	72,658	173,547
Mid corporate loans	7,357	3,201	443	7,297	18,298
Retail loans	32,341	3,320	1,405	14,991	52,057
<b>Total</b>	<b>110,342</b>	<b>23,733</b>	<b>14,881</b>	<b>94,946</b>	<b>243,902</b>
<b>2008</b>	<b>Under 1 month</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Over 91 days</b>	<b>Total</b>
Large corporate loans	58,019	7,331	1,065	17,685	84,100
Mid corporate loans	16,011	1,763	589	6,503	24,866
Retail loans	69,791	9,203	4,936	10,281	94,211
<b>Total</b>	<b>143,821</b>	<b>18,297</b>	<b>6,590</b>	<b>34,469</b>	<b>203,177</b>

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**(a) Credit risk (continued)**

Of the total aggregate amount of gross past due but not impaired loans and advances to customers, the fair value of collateral that the Group held as at 31 December 2009 HUF 275,294 million (2008: 187,981 million HUF).

The main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days without collaterals covers the exposure completely or there are, any known difficulties in the cash flows of counterparties, credit ratings downgrades or infringement of the original terms of the contract. The Group addresses impairment into two areas: individually assessed allowances and collectively assessed allowances. For more details see Note 14.

The Group determines the individually assessed allowances appropriate for each individually significant loan and advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, its expected dividend payout should bankruptcy ensue, its ability to recover outstanding amounts, the availability of other financial support and the realisable value of collateral.

Collectively assessed allowances are assessed for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration historical losses on the portfolio.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Group's policy is to manage the structure of assets and liabilities and commitments to create opportunities to maximize income while ensuring that funds will be available to honour all cash outflow obligations as these become due. Expected cash flows and daily liquidity reports are provided to senior management to enable timely liquidity monitoring.

Liquidity ratio is calculated as the ratio of liquid assets to total assets where liquid assets consists of cash and nostro balances and bonds that are categorized by the National Bank of Hungary as eligible for its repo facility.

The liquidity ratio during the year was as follows:

	(%)	
	2009	2008
31 December	9.95	10.30
Daily average during the period	13.18	11.83
Highest	17.09	15.24
Lowest	9.08	8.53

(The liquidity of the Group depends on the Bank stand alone liquidity, the table includes the CIB Bank only liquidity ratios.)

The maturity profile of the Group's financial liabilities at 31 December 2009 is presented in Note 34.

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**(c) Market risk - Trading**

Market risk is the risk of loss due to fluctuations in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored on such methodology which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses. Except for the concentrations within foreign currency, the Group has no significant concentration of market risk.

**(c) Market risk – Trading (continued)**

The market risk for the trading portfolio is managed and monitored based on a VaR (Value at Risk) methodology which reflects the interdependency between risk variables. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Group uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data from previous years. The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The factors of the distribution are calculated by using exponentially weighted historical data. The use of VaR has limitation because it is based on historical correlation and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under – or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

Since VaR is an integral part of the Group's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

<b>VAR - 2009</b>	(million HUF)				
	<b>Foreign exchange</b>	<b>Interest rate</b>	<b>Equity</b>	<b>Correlation Effect</b>	<b>Total</b>
31 December	32	43	9	(47)	37
Daily average during the period	26	136	25	(44)	143
Highest	81	708	84	-	743
Lowest	4	31	2	-	37

<b>VAR - 2008</b>	(million HUF)				
	<b>Foreign exchange</b>	<b>Interest rate</b>	<b>Equity</b>	<b>Correlation Effect</b>	<b>Total</b>
31 December	46	268	17	(47)	284
Daily average during the period	38	142	36	(57)	159
Highest	213	611	308	-	660
Lowest	3	28	6	-	33



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**(d) Market risk – Non-trading (continued)**

(As the market risk and trading book is managed by the CIB Bank level, the table includes the amounts on Bank only basis.)

*Interest rate risk*

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. Gaps in the value of assets, liabilities and off-statement of Financial Position instruments that mature or reprice during a given period generate

Interest rate risk. The Group reduces this risk by matching the repricing of assets and liabilities using pricing/maturity techniques, including the use of derivative products.

Interest rate risk is managed by the Board of Directors through the Asset-Liability Committee, which establishes position limits, and monitors such limits to restrict the effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating and fixed rate non-trading financial assets and financial liabilities held at 31 December 2009. The sensitivity of equity is calculated by revaluing all non-trading financial assets, liabilities and derivatives at 31 December, 2009 for the effects of the assumed changes in interest rates. The Group uses for the sensitivity of equity calculations among others the modified duration method.

2009	Increase in basis points	Sensitivity of net interest income	(million HUF)				Total
			0 to 6 months	6 months to 1 year	1 year to 5 year	Over 5 years	
HUF	+ 200	6,522	(250)	(120)	(405)	(188)	(963)
EUR	+ 100	202	235	(22)	(15)	12	210
USD	+ 25	16	25	6	-	-	31
CHF	+ 25	(70)	19	(5)	1	-	15
Others	+ 25	5	-	-	-	-	-

2009	Decrease in basis points	Sensitivity of net interest income	(million HUF)				Total
			0 to 6 months	6 months to 1 year	1 year to 5 year	Over 5 years	
HUF	(200)	(6,522)	250	120	405	188	963
EUR	(100)	(202)	(235)	22	15	(12)	(210)
USD	(25)	(16)	(25)	(6)	-	-	(31)
CHF	(25)	70	(19)	5	(1)	-	(15)
Others	(25)	(5)	-	-	-	-	-

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**(d) Market risk – Non-trading (continued)**

2008	Increase in basis points	Sensitivity of net interest income	(million HUF)				Total
			0 to 6 months	6 months to 1 year	1 year to 5 year	Over 5 years	
HUF	+ 200	4,194	(194)	(732)	(1,853)	(2,086)	(4,865)
EUR	+ 100	124	308	(42)	(17)	(22)	227
USD	+ 25	(114)	13	3	-	-	16
CHF	+ 25	13	18	(25)	28	(6)	15
Others	+ 25	3	-	1	-	-	1

2008	Decrease in basis points	Sensitivity of net interest income	(million HUF)				Total
			0 to 6 months	6 months to 1 year	1 year to 5 year	Over 5 years	
HUF	(200)	(4,194)	194	732	1,853	2,086	4,865
EUR	(100)	(124)	(308)	42	17	22	(227)
USD	(25)	114	(13)	(3)	-	-	(16)
CHF	(25)	(13)	(18)	25	(28)	6	(15)
Others	(25)	(3)	-	(1)	-	-	(1)

*Foreign exchange risk*

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in currency rates.

The Group has assets and liabilities, both on and off-statement of Financial Position, denominated in various foreign currencies. Foreign exchange risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

Statutory limits do not permit the Bank to have gross open currency positions against the Forint exceeding 30% of its solvency capital at any time. It is the policy of the Group that Bank should only take currency positions within strictly defined limit rules.

The Board of Directors establishes and monitors specific regulations based on statutory and internal limits, and the strategy approved by the Board of Directors. Adherence to these limits, including intra-day limits, is monitored continuously.

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**(d) Market risk (continued)**

The currency structure of the Group's assets, liabilities and equity as at 31 December, 2009 and 2008 is as follows (currency equivalents in million HUF):

<b>2009</b>	<b>HUF</b>	<b>CHF</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
Cash and current accounts with central bank	46,805	54	618	209	66	<b>47,752</b>
Deposits with banks	21,560	4,718	33,070	8,631	2,127	<b>70,106</b>
Financial assets at fair value through profit or loss	15,955	-	1,093	-	-	<b>17,048</b>
Derivative financial assets	40,267	-	-	-	-	<b>40,267</b>
Loans and advances to customers	477,425	1,057,759	750,947	23,701	5,120	<b>2,314,952</b>
Financial investments – Available for sale	160,531	-	-	-	-	<b>160,531</b>
Financial investments – Held to maturity	5,908	-	-	86	-	<b>5,994</b>
Non-current assets held for sale	284	-	-	-	-	<b>284</b>
Tax assets	14,396	-	-	-	-	<b>14,396</b>
Other assets	9,472	26	210	52	13	<b>9,773</b>
Investment property	23,220	-	-	-	-	<b>23,220</b>
Intangible assets	11,468	-	-	-	-	<b>11,468</b>
Property, plant and equipment	41,405	-	-	-	-	<b>41,405</b>
<b>Total assets</b>	<b>868,696</b>	<b>1,062,557</b>	<b>785,938</b>	<b>32,679</b>	<b>7,326</b>	<b>2,757,196</b>
<b>2009</b>	<b>HUF</b>	<b>CHF</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
Deposits from banks	63,216	225,366	451,945	3,014	69	<b>743,610</b>
Derivative financial liabilities	41,504	-	-	-	-	<b>41,504</b>
Deposits from customers	922,245	231,089	356,660	44,383	5,716	<b>1,560,093</b>
Liabilities from issued securities	60,451	-	3,082	-	-	<b>63,533</b>
Tax liabilities	9,137	-	-	-	-	<b>9,137</b>
Other liabilities	16,695	3	785	412	18	<b>17,913</b>
Provisions	3,629	-	-	-	-	<b>3,629</b>
Subordinated deposits	-	-	52,453	-	-	<b>52,453</b>
<b>Total liabilities</b>	<b>1,116,877</b>	<b>456,458</b>	<b>864,925</b>	<b>47,809</b>	<b>5,803</b>	<b>2,491,872</b>
Share capital	105,000	-	-	-	-	<b>105,000</b>
Reserves	31,778	(1,274)	-	-	-	<b>30,504</b>
Retained earnings	129,820	-	-	-	-	<b>129,820</b>
<b>Total equity</b>	<b>266,598</b>	<b>(1,274)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>265,324</b>
<b>Total liabilities and equity</b>	<b>1,383,475</b>	<b>455,184</b>	<b>864,925</b>	<b>47,809</b>	<b>5,803</b>	<b>2,757,196</b>
<b>Net on- statement of Financial Position position</b>	<b><u>(514,779)</u></b>	<b><u>607,373</u></b>	<b><u>(78,987)</u></b>	<b><u>(15,130)</u></b>	<b><u>1,523</u></b>	<b>=</b>
<b>FX position of derivatives</b>	<b>515,919</b>	<b>(593,950)</b>	<b>63,572</b>	<b>14,802</b>	<b>(1,562)</b>	
<i>Off-balance</i>	276,842	3,718	97,568	7,785	1,036	386,949

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**(d) Market risk (continued)**

<b>2008</b>	<b>HUF</b>	<b>CHF</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
Total assets	1,002,754	1,313,250	679,358	35,879	9,990	3,041,231
Total liabilities	1,446,662	428,425	1,081,809	75,892	8,443	3,041,231
<b>Net on- statement of Financial Position position</b>	<b><u>(443,908)</u></b>	<b><u>884,825</u></b>	<b><u>(402,451)</u></b>	<b><u>(40,013)</u></b>	<b><u>1,547</u></b>	<b>=</b>
<b>FX position of derivatives</b>	<b>421,523</b>	<b>(883,213)</b>	<b>405,404</b>	<b>40,510</b>	<b>(1,569)</b>	
<i>Off-balance</i>	396,339	21,225	125,501	40,853	3,527	587,445

The following tables below indicate the extent to which the Group was exposed to currency risk at 31 December 2008 on its non-trading monetary assets and liabilities, and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against the Hungarian Forint with all other variable held constant on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement and equity, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

<b>2009</b>	Increase in currency rate in % (HUF weakens)	(million HUF)	
		Effect on profit before tax	Effect on equity
EUR	+ 15	1,812	-
USD	+ 20	90	-
CHF	+ 10	2,407	-
Others	+ 10	30	-

<b>2009</b>	Decrease in currency rate in % (HUF strengthen)	(million HUF)	
		Effect on profit before tax	Effect on equity
EUR	(15)	(1,812)	-
USD	(20)	(90)	-
CHF	(10)	(2,407)	-
Others	(10)	(30)	-

<b>2008</b>	Increase in currency rate in % (HUF weakens)	(million HUF)	
		Effect on profit before tax	Effect on equity
EUR	+ 15	1,464	-
USD	+ 20	75	35
CHF	+ 10	1,656	6,124
Others	+ 10	21	-

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**(d) Market risk – Non-trading (continued)**

2008	Decrease in currency rate in % (HUF strengthen)	(million HUF)	
		Effect on profit before tax	Effect on equity
EUR	(15)	(1,464)	-
USD	(20)	(75)	(35)
CHF	(10)	(1,656)	(6,124)
Others	(10)	(21)	-

The Group reclassified municipal bonds which currency risk effect on equity had been significant in 2008 from financial investments available for sale category to loan and advances category. (See note 40).

For the year ended 31 December 2009 and 2008, the Group has classified all of its derivative instruments as trading.

*Equity price risk*

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

*Prepayment risk*

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixes rate mortgages when interest rates fall.

**(e) Operational risk**

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risks include legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.

Market and Operational Risk Management is responsible for the monitoring of CIB Group's operational risk exposure and reporting it to the Board of Directors, Supervisory Committee, Audit Committee and Management Committee (MC). Market and Operational Risk Management belongs to Risk Management Division, which is entirely independent from the business units of the Bank, and reports directly to the Deputy Chief Executive Officer.

From January 2008 both the Bank and on consolidated level the CIB Group calculates capital requirement based on The Standardised Approach (TSA).

CIB has a Group Operational Risk Committee. The goal of this Committee is to provide a framework for regular information flow among its members, hereby promoting the measurement and management of operational risk. The Committee meets bimonthly, where it reviews the Bank's operational risk exposure and the ongoing risk mitigation actions.

Intesa Sanpaolo Group has defined the overall operational risk management framework by setting up a Group policy and organisational process for measuring, managing and controlling operational risk. CIB Group has adopted Intesa Sanpaolo Group's

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**(e) Operational risk (continued)**

operational risk management framework, taking into consideration the local idiosyncrasy.

There are two distinct approaches in the measurement of operational risks, quantitative and qualitative:

The quantitative component is based on the assessment of historical data on internal events, recorded by organisational units, checked by Operational Risk Management and managed by a dedicated intranet based IT system. The model also takes into consideration external events from operational risk data consortia.

In 2004 CIB started collecting operational risk loss data of all events over HUF 50 thousand. In 2009, 937 events causing HUF 1326 million effective operational loss over the threshold of HUF 50 thousand were recorded into the loss database, excluding the boundary with credit losses.

The aim of the subjective Self-assessment is to reveal potential operational threats. The qualitative assessment has two pillars the Scenario Analysis (SA) and the Business Environment Evaluation (VCO):

The Scenario Analysis (SA), is aimed at identifying the operational risks from a forward-looking perspective, measuring exposure in terms of frequency, average impact, and worst case scenario.

From 2008 the Scenario Analysis was extended with the Business Environment Evaluation (VCO) of risk factors effecting CIB Group's processes, which is the second pillar of the Self-Assessment. In the Business Environment Evaluation the organisational units assess the risk factors in terms of "significance" and "control" and aimed at identifying areas of vulnerability. Mitigation actions have to be defined based on the self-assessment results for each non-efficient controls, thus promoting "proactive" risk management. The execution of the defined risk mitigation actions have to be monitored quarterly.

The Self-Assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.

**(45) Capital and capital management**

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios. During the past year, the Bank had complied in full with all its externally imposed capital requirements.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders.

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**(45) Capital and capital management (continued)**

No changes were made in the objectives, policies or processes during the years end 31 December 2009 and 31 December 2008.

Regulatory capital	2009	2008
Tier 1 Capital	243,800	205,619
Tier 2 Capital	<u>30,477</u>	<u>37,465</u>
Total Capital	274,277	243,084
Risk weighted assets	2,225,648	2,334,639
Tier 1 capital ratio	9.78%	8.81%
Total capital ratio	11.00%	9.20%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and non-controlling interests less accrued dividends, net long positions in own shares and goodwill. The other components of regulatory capital are Tier 2 capital, which includes subordinated long term debts, preference shares and revaluation reserves. The capital ratios have been calculated based on the consolidated financial figures according to the Hungarian Accounting and Reporting Standards.