

CIB BANK LTD. and subsidiaries

**Consolidated Financial Statements
for the year ended 31 December, 2008
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 2008, 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

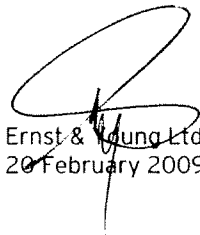
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 2008, 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
20 February 2009

**CIB BANK LTD.
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**Consolidated Financial Statements
for the year ended 31 December, 2008**

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31 December, 2008

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**CIB BANK LTD.
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**Consolidated Income Statement
for the year ended 31 December, 2008
(million HUF)**

	Note	2008	2007 (Restated)
Interest income	3	181,608	151,257
Interest expense	3	<u>(118,972)</u>	<u>(93,161)</u>
Net interest income		62,636	58,096
Fee and commission income	4	45,129	41,749
Fee and commission expense	4	<u>(7,322)</u>	<u>(9,843)</u>
Net fee and commission income		37,807	31,906
Other operating income	5	43,958	33,471
Impairment losses and provisions	6	(34,752)	(17,090)
Operating expenses	7	<u>(69,103)</u>	<u>(64,889)</u>
Operating profit		40,546	41,494
Share of loss of associate	8	<u>(203)</u>	<u>(127)</u>
Profit before tax		40,343	41,367
Income tax expense	9	<u>(12,181)</u>	<u>(11,545)</u>
Net profit for the year (before appropriations)		28,162	29,822

The accompanying notes on pages 8 to 65 form part of these consolidated financial statements.

**CIB BANK LTD.
and subsidiaries**

**Consolidated Balance Sheet
as at 31 December, 2008
(million HUF)**

Assets	Note	2008	2007 (Restated)
Cash and current accounts with central bank	11	41,281	82,857
Deposits with banks	12	19,004	94,953
Financial assets at fair value through profit or loss	13	48,984	67,046
Derivative financial assets	29	92,479	36,160
Loans and advances to customers	14	2,510,805	2,026,775
Financial investments – Available for sale	18	229,639	162,688
Financial investments – Held to maturity	18	7,030	10,244
Non-current assets held for sale	15	26	194
Inventory	16	218	2,907
Deferred tax assets	9	2,386	1,126
Other assets	17	29,593	17,901
Intangible assets	19	12,658	11,831
Property, plant and equipment	20	<u>44,704</u>	<u>43,330</u>
Total assets		<u>3,038,807</u>	<u>2,558,012</u>

The accompanying notes on pages 8 to 65 form part of these consolidated financial statements.

**CIB BANK LTD.
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**Consolidated Balance Sheet
as at 31 December, 2008
(million HUF)**

Liabilities and Shareholders' Equity	Note	2008	2007 (Restated)
Deposits from banks	21	1,155,768	830,141
Derivative financial liabilities	29	111,646	32,921
Deposits from customers	22	1,375,956	1,324,136
Liabilities from issued securities	23	72,061	79,785
Deferred tax liabilities	9	4,421	4,390
Other liabilities	24	45,989	56,224
Provisions	25	4,261	5,068
Subordinated deposits	26	<u>51,386</u>	<u>49,134</u>
Total liabilities		<u>2,821,488</u>	<u>2,381,799</u>
Shareholders' equity			
Share capital	27	62,819	47,519
Reserves	28	42,820	42,804
Retained earnings		<u>111,680</u>	<u>85,890</u>
Total shareholders' equity		<u>217,319</u>	<u>176,213</u>
Total liabilities and shareholders' equity		<u>3,038,807</u>	<u>2,558,012</u>
Commitments and contingencies	29	587,445	618,333

9 February, 2009

T. A. Led
CEO

CIB Bank Ltd.
CIB BANK ZRT.
19.


Chief Accountant

The accompanying notes on pages 8 to 65 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, 2008
(million HUF)**

	Note	Ordinary Shares	Retained Earnings	Capital reserve	General Reserve	General Risk Reserve	Revaluation reserve	Foreign currency translation reserve	Total
Balance at 31 December, 2006 (Restated)		41,769	70,406	772	16,804	18,746	644	1	149,142
Issue of shares	27	5,750	(5,750)	-	-	-	-	-	-
Revaluation change of Financial investments – Available for sale, net of tax	28	-	-	-	-	-	(248)	-	(248)
Foreign currency translation		-	-	-	-	-	-	(3)	(3)
Net profit for 2007		-	29,822	-	-	-	-	-	29,822
Transfers to reserves		-	(6,088)	-	1,960	4,128	-	-	-
Dividends	10	-	(2,500)	-	-	-	-	-	(2,500)
Balance at 31 December, 2007 (Restated)		47,519	85,890	772	18,764	22,874	396	(2)	176,213
Issue of shares	27	15,300	-	98	-	-	-	-	15,398
Revaluation change of Financial investments – Available for sale, net of tax	28	-	-	-	-	-	(2,430)	-	(2,430)
Foreign currency translation		-	-	-	-	-	-	(24)	(24)
Net profit for 2008		-	28,162	-	-	-	-	-	28,162
Transfers to reserves		-	(2,372)	-	2,599	(227)	-	-	-
Balance at 31 December, 2008		62,819	111,680	870	21,363	22,647	(2,034)	(26)	217,319

**CIB BANK LTD.
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**Consolidated Statement of Cash Flows
for the year ended 31 December, 2008
(million HUF)**

	2008	2007 (Restated)
Operating activities		
Profit before tax	40,343	41,367
<i>Adjusted for:</i>		
Depreciation	7,495	6,213
Net unrealised gain on financial instruments	23,792	10,187
Increase in loan loss provision	25,986	3,565
<i>Working capital charges:</i>		
Decrease / (increase) in deposits with banks and subordinated loans	3,790	8,729
Decrease / (increase) in financial assets at fair value through profit or loss	12,422	(48,207)
Decrease / (increase) in loans and advances to customers	(510,016)	(373,193)
Decrease / (increase) in other assets (non-current assets, inventory, other assets)	(8,835)	(3,782)
Increase / (decrease) in deposits from banks and subordinated deposits	327,879	255,198
Increase / (decrease) in deposits from customers and liabilities from issued securities	44,096	72,526
Increase / (decrease) in other liabilities (provisions, other liabilities)	(11,042)	(5,095)
Income tax paid	<u>(12,803)</u>	<u>(11,510)</u>
Cash flows used in operating activities:	<u>(56,893)</u>	<u>(44,002)</u>
Investing activities		
Purchase of financial investments	(160,249)	(136,002)
Proceeds from sale of financial investments	93,248	44,235
Acquisitions to intangible and tangible assets	(12,508)	(16,624)
Disposals of intangible and tangible assets	<u>2,812</u>	<u>2,610</u>
Cash flows used in investing activities:	<u>(76,697)</u>	<u>(105,781)</u>
Financing activities		
Increase / (decrease) in share capital	15,398	-
Dividends paid	-	<u>(2,500)</u>
Cash flows used in financing activities:	<u>15,398</u>	<u>(2,500)</u>
Net increase / (decrease) in cash and cash equivalents	36	<u>(118,192)</u>
Cash and cash equivalents at the beginning of year	172,377	324,660
Cash and cash equivalents at the end of year	54,185	172,377
Additional information for cash flows from operating activities		
Interest received	178,894	142,134
Interest paid	113,228	81,647
Dividend received	352	176

9 February, 2009

CEO

CIB Bank Ltd.

CIB BANK ZRT.

Chief Accountant

The accompanying notes on pages 8 to 65 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, 2008**

(1) Ownership and activities

The majority owner of CIB Bank Ltd. ("the Bank") is Intesa Sanpaolo Holding International S.A. which holds 89,098 % of total ordinary shares of the Bank outstanding at year end. The ultimate parent company of the Bank is Intesa Sanpaolo S.p.A., a bank registered in Italy, holds 10,902 % of the shares of the Bank 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 3,776 in 2008 (2007: 3,768).

On 25th June, 2007 the shareholders of Central-European International Bank Ltd. decided to merge the Central-European International Bank Ltd. with Inter-Európa Bank Ltd, which was also owned by Intesa Sanpaolo S.p.A. Based on the decision of the Court the legal merge came into effect from 1st January, 2008. The system merge of the two banks was also successfully carried out on 1st January, 2008. The name of the new bank is CIB Bank Ltd.

(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 2008 the euro was 1 EUR=264.78 HUF (2007: 1 EUR =253.35 HUF) and swiss frank ar was 1 CHF= 177.78 HUF (2007: 1 CHF = 152.42 HUF).

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**Notes to the Consolidated Financial Statements
for the year ended 31 December, 2008**

(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 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.

Minority 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 balance sheet, separately from parent shareholders' equity. Acquisitions of minority 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 2008 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
CIL Bajor Co. Ltd.	Hungary	100	Property leasing services
CIL Danubius Co. Ltd.	Hungary	100	Property leasing services
CIL-FOOD 2006 Ltd.	Hungary	100	Property leasing services

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**Notes to the Consolidated Financial Statements
for the year ended 31 December, 2008**

(2) Significant accounting policies (continued)

Company	Country of incorporation	% equity interest (direct and indirect)	Principal Business
CIL-Nagytétény Ltd.	Hungary	100	Property leasing services
CIL-LOG Ltd.	Hungary	100	Property leasing services
CIL MNM Ltd.	Hungary	96,67	Property leasing services
CIL Váci út Ltd.	Hungary	100	Property leasing services
Lelle Spc Ltd.	Hungary	100	Property leasing services
CIL Buda SQUARE Ltd.	Hungary	100	Property leasing services
CIL Golf Ltd.	Hungary	100	Property leasing services
Óbuda Dunapart Ltd.	Hungary	100	Property leasing services
CIB Insurance Broker Ltd.	Hungary	100	Insurance agency services
CIB Service Ltd.	Hungary	100	Property and maintenance services to the Group
CIB REAL Ltd.	Hungary	100	Property and maintenance services to the Group
Margit Ltd.	Hungary	100	Property and maintenance services to the Group
ERFI 2000 Ltd.	Hungary	100	Property and maintenance services to the Group
Inter-Európa Beruházó Ltd.	Hungary	100	Property and maintenance services to the Group
IE Service Ltd.	Hungary	100	Property and maintenance services to the Group
CIB Inventory Ltd.	Hungary	100	Wholesale trading
CIB Investment Fund Management Co. Ltd.	Hungary	100	Fund management
CIB Faktor Ltd.	Hungary	100	Factoring financing services
CIB Expert Ltd.	Hungary	100	Professional services
CIB Car Ltd.	Hungary	100	Car trading services
Inter-Európa Értékesítési Ltd.	Hungary	100	Financial agent services
CIB New York Broker Ltd.	Hungary	100	Financial agent services

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.

The Group's investment in its associate Intesa Leasing doo Beograd is accounted for under the equity method of accounting. 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 balance sheet 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.

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

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 balance sheet 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.

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 any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

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.

(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 balance sheet date. All differences are taken to the Consolidated Income Statement.

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**Notes to the Consolidated Financial Statements
for the year ended 31 December, 2008**

(2) Significant accounting policies (continued)

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.

The functional currency of the foreign operations, Intesa Leasing doo Beograd, is the Serbian dinar. As at the reporting date, the assets and liabilities of this associate is translated into the presentation currency of the Bank and its associate (the HUF) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

(f) Deposits with banks and other financial institutions

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

(g) Initial recognition 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 recognised on trade date basis. Trade date is the date that the Group commits itself to purchase or sell an asset.

(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.

The financial asset is derecognised 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 derecognised 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 derecognised when the obligation under the liability is discharged or cancelled or expires.

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**Notes to the Consolidated Financial Statements
for the year ended 31 December, 2008**

(2) Significant accounting policies (continued)

(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 (unrealised gains) are recognized as derivative financial assets and derivatives with negative market values (unrealised losses) are recognized as derivative financial liabilities in the Consolidated Balance Sheet. 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.

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 remeasuring 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. The gain or loss attributable to the hedged risk is recognized in the income statement if the hedged item is an available for sale financial asset.

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

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 unamortised fair value adjustment is recognised 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.

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 uncollectable, 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 and PD (Probability of Default) and LGD (Loss Given Default) 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.

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**Notes to the Consolidated Financial Statements
for the year ended 31 December, 2008**

(2) Significant accounting policies (continued)

Where possible the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due.

(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 fulfillment 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 fulfillment 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 those which carry fixed or 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 amortised cost using the effective interest rate method, less allowance for impairment. Amortised 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 amortisation 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 do not qualify to be 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. Unrealised 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 balance sheet 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 balance sheet, 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 balance sheet 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 balance sheet 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 deposits is considered to be their 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.

(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 Balance Sheet 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 Balance Sheet. 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 are applied:

Premises	2%
Leasehold improvements	5%
Office furniture and equipment	14,5%
Computer equipment	33%
Software	20%
Motor vehicles	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(r) Business combinations and goodwill

Business combinations are accounted for using the acquisition 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 unamortised goodwill is recognized in the income statement.

The merge with Inter-Európa Bank Ltd. was accounted for and presented in the financial statement using the pooling of interests method and not with using the purchase method under IFRS 3 as the two banking group was under common control. The pooling of interest method considered to involve the followings:

- The assets and liabilities of the combined banks were reflected at their carrying amounts. No adjustments were made to reflect fair values or recognize any new asset of liabilities. The only adjustment that are made to harmonies accounting policies. (Note 37 – Accounting policy harmonization)
- The income statements reflects the results of the combining entities for the full year.
- Comparatives are presented as if the entities had always been combined.

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

(s) 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 realisable value.

(t) Collateral pending sale

The Group occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the net realisable value of the related loans and advances and the current fair value of such assets. Gains or losses on disposal, and unrealised losses on revaluation, are recognized in the Consolidated Income Statement.

(u) 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 systematic 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 derecognised.

(v) 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, interest income or expense is recorded at the effective interest rate. Interest is recognized on impaired loans and advances and other financial assets based on the rate used to discount the net present value of future cash flows. 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.

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

(w) Taxation

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

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

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 balance sheet date.

(x) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 realise the asset and settle the liability simultaneously.

(y) 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.

(z) 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. Any financial guarantee fair value is recognized in the income statement when the guarantee is discharged, cancelled or expires.

(aa) 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.

(ab) 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
for the year ended 31 December, 2008**

(2) Significant accounting policies (continued)

(ac) Cash and cash equivalents

Cash and cash equivalents 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.

(ad) Borrowing costs

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

(ae) 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. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did not give rise to additional disclosures.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

IFRIC 12 Service Concession Arrangements

The IFRIC issued IFRIC 12 in November, 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 14 IAS 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 1 Employee Benefits. The IFRIC issued IFRIC 14 in July, 2007. This interpretation became effective for financial years beginning on or after 1 January, 2008. The interpretation had no impact on the financial position or performance of the Group.

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

(af) Standard issued but not yet effective

In 2008 the Board issued the following amendments to its standards and new IFRICs. The Group has not early adopted them but it will not have significant effect on the financial statement of the Group.

IAS 1 Presentation of Financial Statements

The IASB issued revised IAS 1 in September 2007 which will be 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 recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

IAS 16 Property, Plant and Equipment

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

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 will be effective for financial years beginning on or after 1st January, 2009. The Group did not early adopt the revised standard. This amendment has no significant impact on the Group.

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.

IAS 32 Financial Instruments: Presentation and IAS 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 fulfill 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.

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'.

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

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 – Eligible Hedged Items

These amendments to IAS 39 were issued in August, 2008 and become effective for financial years on or after 1st 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 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.

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 do not have impact on the consolidated financial statements as the Group has not reclassified any financial instruments.

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 recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1st January, 2009. The new requirements do not have an impact on the consolidated financial statements.

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 will be effective for financial years beginning on or after 1st January, 2009.

IFRS 3 Business Combinations

The IASB issued the revised Business Combinations standard in January 2008 which will be 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 recognised, the reported results in the period that an acquisition occurs, and future reported results.

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.

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(2) Significant accounting policies (continued)

IFRS 8 Operating segments

The IASB issued IFRS 8 in November 2006 which will be effective for financial years beginning on or after 1st 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. As the Group did not early adopt IFRS 8 it will continue to apply IAS 14.

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.

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 will be effective prospectively for financial years beginning on or after 1 October, 2008.

(ag) 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 CIB Inventory's loans from the prior year have been reclassified in the presentation of these financial statements. As a result of this reclassification the amount related to the inventories (in amount of 29 739 million HUF) have been reclassified to their net value to loans and advances to customers. (Note 37 – Reclassification)

To harmonized the different presentation of the nostro accounts at Hungarian National Bank, interest accruals of loans and advances and deposit from customers and other customers investment accounts in the financial statements for 2007, the amount of these assets and liabilities have been reclassified in the financial statement. (Note 37 – Reclassification)

**CIB BANK LTD.
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**Notes to the Consolidated Financial Statements
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(3) Interest income and interest expense

Interest income comprises:	(million HUF)	
	2008	2007 (Restated)
Interest from banks	9,309	10,952
Interest from customers	156,490	124,513
Interest from financial assets at fair value through profit or loss	3,279	6,031
Interest income from financial investments – Available for sale	11,888	8,957
Interest income from financial investments – Held to maturity	<u>642</u>	<u>804</u>
Total	<u>181,608</u>	<u>151,257</u>

Interest expense comprises:	(million HUF)	
	2008	2007 (Restated)
Interest paid to banks	48,470	27,144
Interest paid to customers	64,273	59,003
Interest paid on issued securities	<u>6,229</u>	<u>7,014</u>
Total	<u>118,972</u>	<u>93,161</u>

(4) Fee and commission income and expense

Fee and commission income comprises:	(million HUF)	
	2008	2007 (Restated)
Servicing fee income for loans	13,601	10,386
Documentary fee income	1,885	2,565
Cashier fee income	2,669	2,176
Account turnover fee income	22,928	21,448
Investment services fee income	<u>4,046</u>	<u>5,174</u>
Total	<u>45,129</u>	<u>41,749</u>

Fee and commission expense comprises:	(million HUF)	
	2008	2007 (Restated)
Servicing fee expenses for loans	109	809
Documentary fee expense	303	236
Account turnover fee expense	6,435	8,363
Investment services fee expense	<u>475</u>	<u>435</u>
Total	<u>7,322</u>	<u>9,843</u>

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**Notes to the Consolidated Financial Statements
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(5) Other operating income

Other operating income comprises:	(million HUF)	
	2008	2007
		(Restated)
Gains less losses from dealing in foreign currencies	42,765	30,929
Gains less losses from dealing in financial assets through profit or loss	(929)	2,307
Gains less losses from dealing in financial investments – Available for sale	69	(189)
Other operating income	<u>2,053</u>	<u>424</u>
Total	<u>43,958</u>	<u>33,471</u>

Gains less losses from dealing in foreign currencies include the results of trading money market instruments, interest rate swaps, options, spot and forward contracts and other currency derivatives. Gains less losses from dealing in financial assets from dealing in financial assets through profit or loss and in financial investments – Available for sale include the effects of buying and selling and changes in the fair value.

(6) Impairment losses and provisions

Impairment losses and provisions comprises:	(million HUF)	
	2008	2007
		(Restated)
Individual provision expense for loan losses	30,712	13,806
Collective provision expense for loan losses	4,349	1,376
Provision expense for financial guarantees	(306)	(527)
Provision expense for other commitments and contingencies	(57)	279
Other provision expense for other receivables	804	(17)
Other provision expense	<u>(750)</u>	<u>2,173</u>
Total	<u>34,752</u>	<u>17,090</u>

(7) Other operating expenses

Operating expenses comprise:	(million HUF)	
	2008	2007
		(Restated)
Personnel expenses	34,672	33,965
Depreciation	7,495	6,213
Rent and leasing	4,135	4,025
Office and IT maintenance	3,749	3,994
Communications	2,690	2,728
Advertising	4,480	2,548
Other taxes and obligatory fees	2,012	2,576
Other expenses	<u>9,870</u>	<u>8,840</u>
Total	<u>69,103</u>	<u>64,889</u>

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Notes to the Consolidated Financial Statements
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(8) Share of loss of associate

The Group has a 49 % interest in Intesa Leasing doo Beograd, a company incorporated in Serbia. The following table illustrates the summarised financial information of the Group's investment in Intesa Leasing doo Beograd:

	(million HUF)	
	2008	2007
Carrying amount of the investment (including goodwill)	141	368
Share of the associate's revenue and loss:		
Expenses	<u>(203)</u>	<u>(127)</u>
Loss for the year	<u>(203)</u>	<u>(127)</u>

(9) 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 is applicable to all Group companies. The other income type taxes contain the local business tax and the innovation contribution.

	(million HUF)	
	2008	2007
		(Restated)
Current income tax charge	8,451	7,752
Other income type taxes	4,352	3,758
Deferred income tax	<u>(622)</u>	<u>35</u>
Total	<u>12,181</u>	<u>11,545</u>

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)	2008		2007	
			(Restated)	
Profit before tax	40,343		41,367	
Income tax at statutory rate	6,455	16.00%	6,619	16.00%
Special tax	2,048	5.08%	1,451	3.51%
Other income type taxes	4,352	10.79%	3,758	9.08%
Non-deductible expenditure	650	1.61%	607	1.47%
Tax incentives not recognized in the income statement	(1,322)	(3.28%)	(1,186)	(2.87%)
Effect of change in deferred tax rate	(50)	(0.13%)	-	0.00%
Prior period adjustments	5	0.01%	(4)	(0.01%)
Other adjustments	<u>43</u>	0.11%	<u>300</u>	0.73%
Income tax at effective tax rate	<u>12,181</u>	30.19%	<u>11,545</u>	27.91%

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**Notes to the Consolidated Financial Statements
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(9) Income tax expense (continued)

Deferred tax assets and liabilities comprise: (million HUF)	2008		2007	
	Assets	Liabilities	Assets (Restated)	Liabilities (Restated)
Deferred tax to Income Statement				
General risk reserve	-	4,529		4,575
Development reserve	-	240		195
Provisions	1,290	(1,469)	937	(1,406)
Fair value adjustments	-	160		(96)
Amortized commissions	-	(35)		(443)
Loss carry forward	1,349	-	-	-
Other adjustments	<u>(253)</u>	<u>1,505</u>	<u>189</u>	<u>1,466</u>
Total deferred tax to P&L	<u>2,386</u>	<u>4,930</u>	<u>1,126</u>	<u>4,291</u>
Deferred tax to equity	-	<u>(509)</u>	-	<u>99</u>
Fair value adjustments	-	<u>(509)</u>	-	<u>99</u>
Total deferred tax	<u>2,386</u>	<u>4,421</u>	<u>1,126</u>	<u>4,390</u>

The deferred tax assets and liabilities are offset at entity-level but on Group-level not.

(10) Dividend paid

In 2008 as dividend was not declared for the year 2007 (in 2007: 2,500 million HUF, 72 HUF per ordinary share).

(11) 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 % (31st December, 2007, 5 %) 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)	
	2008	2007 (Restated)
Cash	16,343	11,878
Current HUF account with the National Bank of Hungary	<u>24,938</u>	<u>70,979</u>
Total (Included cash and cash equivalents (Note 36))	<u>41,281</u>	<u>82,857</u>

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(12) Deposits with banks

Deposits with banks comprise:	(million HUF)	
	2008	2007 (Restated)
Foreign currency nostro accounts	7,875	19,241
Deposit with banks less than 90 days	<u>4,900</u>	<u>65,693</u>
Included in cash equivalents (Note 36)	<u>12,775</u>	<u>84,934</u>
Deposits with banks more than 90 days	<u>6,229</u>	<u>10,019</u>
Total	<u>19,004</u>	<u>94,953</u>

(13) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:	(million HUF)	
	2008	2007 (Restated)
Government securities: HUF	<u>129</u>	<u>4,586</u>
Included in cash equivalents (Note 36)	<u>129</u>	<u>4,586</u>
Government securities: HUF	42,096	41,326
Government securities: NON-HUF	3,403	-
Bank and corporate bonds: HUF	255	293
Bank and corporate bonds: NON-HUF	861	-
Shares listed on stock exchange: HUF	2,071	17,645
Shares listed on stock exchange: NON-HUF	-	7
Other securities: HUF	-	3,189
Other securities: NON-HUF	<u>169</u>	<u>-</u>
Total	<u>48,984</u>	<u>67,046</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.

(14) Loans and advances to customers

Loan and advances to customers comprise:	(million HUF)	
	2008	2007 (Restated)
Loans and advances to customers	2,586,262	2,076,246
Less: Allowance for incurred loan losses	<u>(75,457)</u>	<u>(49,471)</u>
Net loans	<u>2,510,805</u>	<u>2,026,775</u>

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**Notes to the Consolidated Financial Statements
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(14) Loans and advances to customers (continued)

Analysis by sector

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

(million HUF)	2008	%	2007 (Restated)	%
Trading	319,326	12.35	254,161	12.24
Private customers	501,897	19.41	369,434	17.79
Real estate investments	628,461	24.30	497,678	23.97
Other, mostly service industries	573,742	22.18	407,503	19.63
Food processing	84,803	3.28	79,895	3.85
Transportation and communication	54,404	2.10	63,248	3.05
Light industry	77,308	2.99	82,230	3.96
Heavy industry	77,864	3.01	51,876	2.50
Financial activities	118,160	4.57	132,667	6.39
Agriculture	117,703	4.55	102,616	4.94
Chemicals and pharmaceuticals	<u>32,594</u>	<u>1.26</u>	<u>34,938</u>	<u>1.68</u>
Total	<u>2,586,262</u>	<u>100.0</u>	<u>2,076,246</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)	
	2008	2007
Gross lease receivables due:		
Within one year	177,505	146,175
One to five years	348,546	286,121
More than five years	<u>200,900</u>	<u>176,075</u>
Total	726,951	608,371
The present value of minimum lease payments receivables:		
Within one year	135,241	111,501
One to five years	264,029	217,466
More than five years	<u>146,052</u>	<u>126,136</u>
Total	545,322	455,103
Unearned finance income	181,630	153,268
Accumulated allowance for uncollectable minimum lease payments receivable	8,104	7,446

The term of the contracts are between 12 and 72 months, and the interest rates range from 2 % to 8 % above the base rate.

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(14) Loans and advances to customers (continued)

Allowance for incurred loan losses

Allowance for incurred loan losses comprise:	(million HUF)	
	2008	2007
		(Restated)
Opening balance	<u>49,471</u>	<u>45,906</u>
Increase of allowance during the year	77,546	43,784
Decrease of allowance during the year	(42,485)	(28,581)
Write-off and sales	<u>(9,075)</u>	<u>(11,638)</u>
Closing balance	<u>75,457</u>	<u>49,471</u>

Allowance for incurred loan losses comprise:	(million HUF)	
	2008	2007
		(Restated)
Individual allowance	66,710	45,043
Collective allowance	<u>8,747</u>	<u>4,428</u>
	75,457	49,471

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 31 December 2008 amounts to 1,647,637 million HUF (2007: 903,684 million HUF for the formerly CIB-Group).

(15) Non-current assets held for sale

Non-current assets held for sale contains leased assets repossessed due to the insolvency of the lessees.

(16) Inventory

The inventory contains mainly material products which are used for the banking activity. The inventory also contains recovered collaterals.

(17) Other assets

Other assets comprise:	(million HUF)	
	2008	2007
		(Restated)
Accrued expenses	882	2,707
Items in transit	1,490	2,874
Trade receivables	2,165	3,207
Taxes and obligatory fees	5,572	4,825
Other assets	<u>19,484</u>	<u>4,288</u>
Total	<u>29,593</u>	<u>17,901</u>

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(18) Financial investments

Financial investments - Available for sale comprise:	(million HUF)	
	2008	2007 (Restated)
Government securities: HUF	166,644	132,888
Bank and corporate bonds: HUF	1,244	1,247
Bank and corporate bonds: NON-HUF	1,755	519
Shares listed on stock exchange: NON-HUF	283	204
Other securities: NON-HUF	59,482	27,344
Equity investment: HUF	<u>231</u>	<u>486</u>
Total	<u>229,639</u>	<u>162,688</u>

Financial investments - Held to maturity comprise:	(million HUF)	
	2008	2007 (Restated)
Government securities: HUF	6,856	10,002
Government securities: NON-HUF	<u>174</u>	<u>242</u>
Total	<u>7,030</u>	<u>10,244</u>

(19) Intangible assets

At 31 December, 2008 and 2007, intangible assets and the related accumulated depreciation comprised the following:

(million HUF)	Cost of intangible assets				
	2008	Reclassification	Disposals	Acquisitions	2007 (Restated)
Software licences	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>
Total	<u>28,837</u>	<u>199</u>	<u>(62)</u>	<u>3,926</u>	<u>24,774</u>

(million HUF)	Depreciation of intangible assets				
	2008	Reclassification	Disposals	Additions	2007 (Restated)
Software licences	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>
Total	<u>16,179</u>	<u>166</u>	<u>(12)</u>	<u>3,081</u>	<u>12,944</u>

(million HUF)	Cost of intangible assets				
	2007	Reclassification	Disposals	Acquisitions	2006
Software licences	22,030	21	(142)	5,049	17,102
Goodwill	877	-	-	-	877
Other	<u>1,867</u>	<u>102</u>	<u>-</u>	<u>1,505</u>	<u>260</u>
Total	<u>24,774</u>	<u>123</u>	<u>(142)</u>	<u>6,554</u>	<u>18,239</u>

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(19) Intangible assets (continued)

(million HUF)	Depreciation of intangible assets				
	2007	Reclassification	Disposals	Additions	2006
Software licences	12,446	11	(43)	1,897	10,581
Goodwill	56	-	-	-	56
Other	<u>442</u>	<u>83</u>	<u>-</u>	<u>198</u>	<u>161</u>
Total	<u>12,944</u>	<u>94</u>	<u>(43)</u>	<u>2,095</u>	<u>10,798</u>

(million HUF)	Net book value of intangible assets	
	2008	2007
Software licences	10,402	9,584
Goodwill	821	821
Other	<u>1,435</u>	<u>1,426</u>
Total	<u>12,658</u>	<u>11,831</u>

(20) Property, plant and equipment

At 31 December, 2008 and 2007, property, plant and equipment and the related accumulated depreciation comprised the following:

(million HUF)	Cost of property, plant and equipment				
	2008	Reclassification	Disposals	Acquisitions	2007
Land, premises	27,951	(1,228)	(1,548)	430	(Restated) 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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(20) Property, plant and equipment (continued)

(million HUF)	Depreciation of property, plant and equipment				2007 (Restated)
	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	-	-	-	-	-
Total	<u>23,595</u>	<u>(216)</u>	<u>(744)</u>	<u>4,414</u>	<u>20,044</u>

(million HUF)	Cost of property, plant and equipment				2006
	2007	Reclassification	Disposals	Acquisitions	
Land, premises	30,297	(77)	(2,033)	5,595	26,812
Leasehold improvements	8,299	(71)	(22)	1,097	7,295
Office furniture, equipment	12,553	78	(190)	2,077	10,588
Computer equipment	10,079	(77)	(83)	1,515	8,724
Motor vehicles	2,095	-	(140)	322	1,913
Other	148	-	-	-	148
Total	<u>63,371</u>	<u>(147)</u>	<u>(2,468)</u>	<u>10,606</u>	<u>55,480</u>

(million HUF)	Depreciation of property, plant and equipment				2006
	2007	Reclassification	Disposals	Addition	
Land, premises	4,799	(55)	(2)	808	4,048
Leasehold improvements	1,754	-	(9)	354	1,409
Office furniture, equipment	6,639	168	(128)	1,143	5,456
Computer equipment	6,191	(176)	(47)	1,579	4,835
Motor vehicles	758	1	(115)	234	638
Other	-	-	-	-	-
Total	<u>20,041</u>	<u>(62)</u>	<u>(301)</u>	<u>4,118</u>	<u>16,386</u>

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(million HUF)	Net book value of property, plant and equipment	
	2008	2007 (Restated)
Land, premises	23,192	25,498
Leasehold improvements	9,064	6,545
Office furniture, equipment	7,554	5,914
Computer equipment	3,312	3,888
Motor vehicles	1,434	1,337
Other	<u>148</u>	<u>148</u>
Total	<u>44,704</u>	<u>43,330</u>

(21) Deposits from banks

Deposits from banks comprise:	(million HUF)	
	2008	2007 (Restated)
Deposits from banks in Hungary	62,248	148,857
Deposits from banks in other countries	<u>1,093,520</u>	<u>681,284</u>
Total	<u>1,155,768</u>	<u>830,141</u>

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(22) Deposits from customers

Deposits from customers comprise:	(million HUF)	
	2008	2007
		(Restated)
Deposits from customers in Hungary	1,212,774	1,138,522
Deposits from customers in other countries	<u>163,182</u>	<u>185,614</u>
Total	<u>1,375,956</u>	<u>1,324,136</u>

(23) Liabilities from issued securities

Liabilities from issued securities comprise:	(million HUF)	
	2008	2007
		(Restated)
Gross amount of issued securities	88,715	93,464
Repurchased amount of issued securities	(22,348)	(17,550)
Accrued interest payable from the net amount of issued securities	<u>5,694</u>	<u>3,871</u>
Net amount of liabilities from issued securities	<u>72,061</u>	<u>79,785</u>

The issued securities listed on the Budapest Stock Exchange contain twelve sets of securities.

- CIB 2009A bonds amounting to 24,000 million HUF were issued since 1st August, 2006 and will expire on 1st August, 2009. The bonds bear interest at 24 %;
- CIB Indexált 2009A bonds amounting to 2,000 million HUF 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;
- CIB 2009B bonds amounting to 4,000 million HUF 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;
- CIB 2009C bonds amounting to 2,000 million HUF were issued since 1st August, 2007 and will expire on 31st July, 2009. The bonds bear interest at 7.5 %;
- CIB 2010A bonds amounting to 2,055 million HUF were issued since 13th February, 2007 and will expire on 12th April, 2010. The bonds bear interest at 7 %;
- CIB 2010B bonds amounting to 14,717 million HUF 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;
- CIB 2010C bonds amounting to 11,001 million HUF were issued since 8th August, 2007 and will expire on 9th August, 2010. The bonds bear interest at 7.26 %;
- CIB Classic 2011/A bonds amounting to 3,076 million HUF were issued since 29th September, 2008 and will expire on 22nd September, 2011. The bonds bear interest at 3 month BUBOR plus 30 basis points;
- CIB Classic 2011/B bonds amounting to 16,473 million HUF were issued since 22nd September, 2008 and will expire on 22nd September, 2011. The bonds bear interest at 3 month BUBOR plus 70 basis points;
- CIB Értékör 2011/A bonds amounting to 4,143 million HUF were issued since 29th September, 2008 and will expire on 29th September, 2011. The bonds' interest is fixed to the National Consumer Price Index;

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(23) Liabilities from issued securities (continued)

- CIB EURÓ Értékőr 2011/A bonds amounting to 20 million EUR (5,230 million HUF) were issued since 11th August, 2008 and will expire on 11th August, 2011. The bonds' interest is fixed to the Consumer Price Index;
- IEB certificate of deposits amounting to 20 million HUF.

(24) Other liabilities

Other liabilities comprise:	(million HUF)	
	2008	2007 (Restated)
Items in transit	24,263	37,145
Suppliers	3,759	4,876
Taxes and obligatory fees	3,201	3,468
Financial guarantees (Note 25)	453	759
Other liabilities	<u>14,313</u>	<u>9,976</u>
Total	<u>45,989</u>	<u>56,224</u>

(25) Provisions

2008	Financial guarantees	Total	Commitments and contingencies	Other	Total
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>
2007 (Restated)	Financial guarantees	Total	Commitments and contingencies	Other	Total
Opening balance	<u>1,286</u>	<u>1,286</u>	<u>1,798</u>	<u>818</u>	<u>2,616</u>
Increase of provision during the year	1,540	1,540	3,629	2,402	6,031
Decrease of provision during the year	<u>(2,067)</u>	<u>(2,067)</u>	<u>(3,350)</u>	<u>(229)</u>	<u>(3,579)</u>
Closing balance	<u>759</u>	<u>759</u>	<u>2,077</u>	<u>2,991</u>	<u>5,068</u>

The provisions of financial guarantees include allocated amounts for financial guarantee contributions and are recognized in the other liabilities. Provisions for commitment and contingencies 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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(26) Subordinated deposits

The Bank has received the following subordinated deposits:

Subordinated deposits comprise:	(million HUF)	
	2008	2007
		(Restated)
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 %.	9,267	8,867
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 %.	3,972	3,800
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 %.	18,138	17,355
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 %;	11,915	11,401
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 %;	7,943	7,600
Accrued interests	<u>151</u>	<u>111</u>
Total	<u>51,386</u>	<u>49,134</u>

(27) Share capital

At 31 December, 2007 the fully paid share capital consisted of 40,500,000 ordinary shares of 1,000 HUF each.

Due to the effect of the merge with Inter-Európa Bank Ltd the share capital of the bank increased with 7,019 million HUF.

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

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

(28) 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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(28) 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, 2008, Bank has established the reserve of 22,647 million HUF representing the maximum permitted reserve amount (2007: 22,874 million HUF).

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.

Revaluation reserve

This reserve records fair value changes on financial investments – Available for sale.

Revaluation reserve	(million HUF)	
	2008	2007
		(Restated)
Opening balance	<u>396</u>	<u>644</u>
Net gains/(losses) from changes in fair value	(2,017)	35
Net (gains)/losses transferred to net profit on disposal and impairment	109	98
Amortization to net profit	(1,129)	(443)
Deferred tax income	<u>607</u>	<u>62</u>
Total	<u>(2,034)</u>	<u>396</u>

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(29) Commitments and contingencies

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

2008	(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>

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(29) Commitments and contingencies (continued)

2007	(million HUF)		
(Restated)	Gross amount	Provision	Net amount
Guarantees	152,973	(756)	152,217
Letters of credit	3,691	(3)	3,688
Total financial guarantees	<u>156,664</u>	<u>(759)</u>	<u>155,905</u>
Loans and overdraft facilities not disbursed	<u>464,505</u>	<u>(2,077)</u>	<u>462,428</u>
Total	<u>621,169</u>	<u>(2,836)</u>	<u>618,333</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 1,350,087 million HUF at 31 December, 2008 (2007: 1,186,746 million HUF).

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(30. a) Derivative financial instruments

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		More than 5 years	Asset
Interest rate derivatives					
OTC-products					
Forward rate agreements	3,334,047	380,000	-	10,370	9,974
Interest rate swaps	1,535,856	1,036,626	71,431	35,885	39,450
Interest rate options	-	51,735	-	168	169
Subtotal	<u>4,869,903</u>	<u>1,468,361</u>	<u>71,431</u>	<u>46,423</u>	<u>49,593</u>
Currency derivatives					
OTC-products					
Forward exchange contracts	217,451	11,394	-	8,649	5,132
Currency swaps	1,787,051	1,879	-	32,952	52,435
Foreign exchange options	89,149	99,967	-	4,455	4,486
Subtotal	<u>2,093,651</u>	<u>113,240</u>	-	<u>46,056</u>	<u>62,053</u>
Total	<u>6,963,554</u>	<u>1,581,601</u>	<u>71,431</u>	<u>92,479</u>	<u>111,646</u>

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(30. b) Derivative financial instruments (continued)

Derivative financial instruments as at 31 December, 2007

(million HUF) (Restated)	Notional amount with remaining life		Total	Fair value	
	Less than one year	More than one year, less than 5 years		More than 5 years	Asset
Interest rate derivatives					
OTC-products					
Forward rate agreements	3,828,925	1,075,000	4,903,925	3,206	3,601
Interest rate swaps	702,822	778,715	1,518,376	14,455	12,247
Interest rate options	-	47,822	47,822	2	3
Subtotal	<u>4,531,747</u>	<u>1,901,537</u>	<u>6,470,123</u>	<u>17,663</u>	<u>15,851</u>
Currency derivatives					
OTC-products					
Forward exchange contracts	212,329	27,531	239,860	2,529	5,468
Currency swaps	1,257,412	5,131	1,262,543	15,710	11,370
Foreign exchange options	44,376	226	44,602	258	232
Subtotal	<u>1,514,117</u>	<u>32,888</u>	<u>1,547,005</u>	<u>18,497</u>	<u>17,070</u>
Total	<u>6,045,864</u>	<u>1,934,425</u>	<u>8,017,128</u>	<u>36,160</u>	<u>32,921</u>

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(31. a) 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
Assets								
Cash and current accounts with central bank	24,938	-	-	-	-	-	16,343	41,281
Effective interest rates	10.00	-	-	-	-	-	-	6.04
Deposits with banks and subordinated loans	7,752	6,228	4,832	192	-	-	-	19,004
Effective interest rates	0.00	2.51	2.15	5.74	-	-	-	1.43
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	199,765	849,475	928,279	434,657	25,637	72,992	-	2,510,805
Effective interest rates	11.80	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	-	-	-	-	-	-	89,585	89,585
Liabilities								
Deposits from banks and subordinated deposits	1,314	429,346	658,593	97,827	20,020	54	-	1,207,154
Effective interest rates	3.90	4.11	3.55	4.01	2.56	2.54	-	3.77
Derivative financial liabilities	-	34,092	45,916	27,422	4,216	-	-	111,646
Deposits from customers	386,630	372,511	423,002	174,486	18,997	330	-	1,375,956
Effective interest rates	3.60	7.18	9.58	8.33	7.46	5.85	-	7.06
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
Other liabilities	-	-	-	-	-	-	54,671	54,671
Net repricing gap	(155,489)	44,467	(119,083)	260,408	36,695	96,309	54,012	217,319

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(31. b) Carrying amount of assets and liabilities at 31 December, 2007 by earlier of contractual repricing or maturity date

(Restated)	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
Assets								
Cash and current accounts with central bank	70,979	-	-	-	-	-	11,878	82,857
Effective interest rates	7.5	-	-	-	-	-	-	6.42
Deposits with banks and subordinated loans	19,395	63,400	5,789	6,369	-	-	-	94,953
Effective interest rates	0.53	4.80	7.20	6.83	-	-	-	4.21
Financial assets at fair value through profit or loss	-	4,193	616	1,253	19,846	20,296	20,842	67,046
Effective interest rates	-	7.40	7.69	7.49	7.52	7.34	-	5.12
Derivative financial assets	-	7,365	13,667	13,765	1,363	-	-	36,160
Loans and advances to customers	157,938	736,109	501,769	553,283	30,570	47,106	-	2,026,775
Effective interest rates	9.71	6.64	8.50	5.47	6.69	5.69	-	7.00
Financial investments	-	2,933	51,742	61,964	31,570	24,033	690	172,932
Effective interest rates	-	4.99	5.71	6.77	7.21	7.31	-	6.55
Other assets	-	-	-	-	-	-	77,289	77,289
Liabilities								
Deposits from banks and subordinated deposits	9,444	227,530	324,315	296,117	21,778	91	-	879,275
Effective interest rates	4.67	4.69	4.68	4.31	3.07	2.92	-	4.52
Derivative financial liabilities	-	5,781	10,994	13,998	2,148	-	-	32,921
Deposits from customers	505,171	392,983	189,789	206,726	29,084	383	-	1,324,136
Effective interest rates	2.36	5.26	6.32	6.09	7.04	7.21	-	4.47
Liabilities from issued securities	-	-	44,453	3,261	32,071	-	-	79,785
Effective interest rates	-	-	7.72	7.50	7.92	-	-	7.79
Other liabilities	-	-	-	-	-	-	65,682	65,682
Net repricing gap	(266,303)	187,706	4,032	116,532	(1,732)	90,961	45,017	176,213

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(32. a) 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
Assets						
Cash and current accounts with banks	41,281	-	-	-	-	41,281
Deposits with banks	11,464	1,288	2,441	3,811	-	19,004
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	700,730	941,913	2,510,805
Financial investments	2,379	18,636	89,753	43,422	82,479	236,669
Non-current assets held for sale	-	-	26	-	-	26
Inventory	-	-	218	-	-	218
Deferred tax assets	-	-	-	2,386	-	2,386
Other assets	881	-	1,490	27,222	-	29,593
Intangible assets, property, plant and equipment	-	-	-	-	-	-
Total Assets	412,850	159,726	566,644	811,016	1,088,571	3,038,807
Liabilities						
Deposits from banks	250,805	248,717	46,915	346,629	262,702	1,155,768
Derivative financial liabilities	28,589	31,455	32,406	18,354	842	111,646
Deposits from customers	718,292	311,321	237,105	95,777	13,461	1,375,956
Liabilities from issued securities	889	-	28,159	43,013	-	72,061
Deferred tax liabilities	-	-	-	4,421	-	4,421
Other liabilities	9,791	-	14,472	21,726	-	45,989
Provisions from commitments	-	-	-	4,261	-	4,261
Subordinated deposits	115	-	36	31,376	19,859	51,386
Total Liabilities	1,008,481	591,493	359,093	565,557	296,864	2,821,488
Net position	(595,631)	(431,767)	207,551	245,459	791,707	217,319

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

The maturity profile of the Bank's assets and liabilities as at 31 December, 2007 were:

(Restated)	Under 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Assets						
Cash and current accounts with banks	82,857	-	-	-	-	82,857
Deposits with banks	79,282	5,663	8,004	2,004	-	94,953
Financial assets at fair value through profit or loss	4,190	410	1,296	20,052	41,098	67,046
Derivative financial assets	4,304	7,857	14,739	8,768	492	36,160
Loans and advances to customers	203,152	119,727	428,131	577,388	698,377	2,026,775
Financial investments	996	26,708	60,507	31,811	52,910	172,932
Non-current assets held for sale	-	-	194	-	-	194
Inventory	-	-	2,907	-	-	2,907
Deferred tax assets	-	-	-	1,126	-	1,126
Other assets	2,707	-	2,874	12,320	-	17,901
Intangible assets, property, plant and equipment	-	-	-	-	55,161	55,161
Total Assets	377,488	160,365	518,652	653,469	848,038	2,558,012
Liabilities						
Deposits from banks	114,655	164,345	50,760	305,994	194,387	830,141
Derivative financial liabilities	3,767	7,586	11,972	9,163	433	32,921
Deposits from customers	842,543	296,465	135,478	45,034	4,616	1,324,136
Liabilities from issued securities	-	-	34,013	45,772	-	79,785
Deferred tax liabilities	-	-	-	4,390	-	4,390
Other liabilities	9,050	-	28,095	19,079	-	56,224
Provisions	-	-	-	5,068	-	5,068
Subordinated deposits	-	106	4	30,023	19,001	49,134
Total Liabilities	970,015	468,502	260,322	464,523	218,437	2,381,799
Net position	(592,567)	(308,137)	258,370	188,946	629,601	176,213

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(33) 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, 2008 constitute less than 1 % of total assets, and 41 % of total liabilities and are set out below.

	(million HUF)			
	2008		2007 (Restated)	
	Parent	Fellow Subsidiaries	Parent	Fellow subsidiaries
Assets				
Current accounts	1,604	626	-	1,413
Placements	676	-	1	56,257
Fair value of derivatives	11,550	209	72	763
Liabilities				
Current accounts	-	-	-	8,920
Deposits	535,603	560,868	77,562	518,712
Subordinated deposit	31,380	20,006	30,026	19,108
Fair value of derivatives	11,123	541	95	417
Commitments				
Guarantees	4	1,324	-	-
Letters of credit	-	51	-	-
Interest rate derivatives	146,102	38,862	39,911	23,702
Currency derivatives	410,105	-	1,982	61,740
Interest expenses, net	(10,590)	(18,901)	(2,481)	(11,847)

(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.

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(33) Related Party Transactions (continued)

	(million HUF)	
	2008	2007 (Restated)
Assets		
Current accounts	4	11
Loan	142	765
Fair value of derivatives	71	10
Liabilities		
Current accounts	403	902
Deposits	668	995
Fair value of derivatives	114	17
Commitments		
Loans and overdraft facilities not disbursed	69	33
Compensation		
Salaries and other short-term benefits	518	918

(34) Average balances

Average 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, 2008

	(million HUF)			
	2008		2007	
	Average carrying amount	Average interest rate (%)	Average carrying amount	Average interest rate (%)
Financial assets				
Cash and current accounts with central bank	98,569	6.28	72,137	5.75
Deposit with banks and subordinated loans	51,710	5.96	69,635	5.73
Financial assets at fair value through profit or loss	48,430	6.58	63,112	6.97
Loans and advances to customers	2,373,276	6.45	1,550,997	6.28
Financial investments	171,704	6.92	124,902	7.46
Financial liabilities				
Deposits from banks	1,067,071	4.45	559,698	3.93
Deposits from customers	1,331,000	5.03	1,032,858	4.67
Liabilities from issued securities	79,191	7.71	87,157	7.83
Subordinated deposits	49,031	5.41	36,340	4.66

(The data from 2007 contains the formerly CIB Group's effect.)

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(35) 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 balance sheet.

2008	(million HUF)			
	Exposed to cash flow risk		Exposed to fair value risk	
	Book value	Fair value	Book value	Fair value
Financial assets				
Deposits with banks	13,829	13,846	5,175	5,183
Loans and advances to customers	2,482,322	2,585,985	28,483	28,235
Financial investments – Held to maturity	-	-	7,030	7,208
Financial liabilities				
Deposits from banks and Subordinated deposits	682,060	687,779	525,094	526,303
Deposits from customers	625,412	627,511	750,544	750,053
Liabilities from issued securities	38,552	38,689	33,509	33,134

2007	(million HUF)			
	Exposed to cash flow risk		Exposed to fair value risk	
	Book value	Fair value	Book value	Fair value
(Restated)				
Financial assets				
Deposits with banks	23,585	23,589	71,368	71,375
Loans and advances to customers	1,972,067	2,040,100	54,708	54,943
Financial investments – Held to maturity	-	-	10,244	10,707
Financial liabilities				
Deposits from banks and Subordinated deposits	661,838	661,452	217,437	217,438
Deposits from customers	633,922	633,829	690,214	689,711
Liabilities from issued securities	45,785	45,754	34,000	33,882

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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(36) 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)	
	2008	2007
		(Restated)
Cash and current account with central bank (Note 11)	41,281	82,857
Deposits with banks (Note 12)	12,775	84,934
Financial assets at fair value through profit or loss (Note 13)	<u>129</u>	<u>4,586</u>
Total	<u>54,185</u>	<u>172,377</u>

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(37) Business combinations

On 1th January, 2008 the Central-European International Bank Ltd. merged with Inter-Európa Bank Ltd. The merge had been accounted for and presented in the financial statement using the pooling of interests method.

The following table represents the effect of the merge and the effect of harmonizing the accounting policies of the two combined banking groups:

	CIB Presented in 2007	IEB Presented in 2007	Accounting policy harmonization	Reclassifications	Consolidation entries	New comparative data for 2007
Assets						
Cash and current accounts with banks	60,832	2,009	-	20,016	-	82,857
Deposits with banks	131,663	43,911	-	(19,485)	(61,136)	94,953
Financial assets at fair value through profit or loss	66,419	627	-	-	-	67,046
Derivative financial assets	36,199	616	-	-	(655)	36,160
Loans and advances to customers	1,709,312	290,095	-	27,368	-	2,026,775
Financial investments	167,788	5,144	-	-	-	172,932
Non-current assets held for sale	194	-	-	-	-	194
Inventory	29,872	10	-	(26,975)	-	2,907
Deferred tax assets	1,126	-	-	-	-	1,126
Other assets	25,107	2,360	-	(8,372)	(1,194)	17,901
Intangible assets, property, plant and equipment	47,141	8,536	(516)	-	-	55,161
Total Assets	2,275,653	353,308	(516)	(7,448)	(62,985)	2,558,012
Liabilities						
Deposits from banks	799,543	91,598	-	136	(61,136)	830,141
Derivative financial liabilities	33,023	552	-	-	(655)	32,921
Deposits from customers	1,098,424	228,418	-	(2,706)	-	1,324,136
Liabilities from issued securities	79,765	20	-	-	-	79,785
Deferred tax liabilities	4,008	486	(104)	-	-	4,390
Other liabilities	58,374	4,569	-	(5,526)	(1,194)	56,224
Provisions	4,415	5	-	648	-	5,068
Subordinated deposits	41,533	7,601	-	-	-	49,134
Total Liabilities	2,119,085	333,249	(104)	(7,448)	(62,985)	2,381,799

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(37) Business combinations (continued)

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 309 million HUF for the period from 1 November to 31 December 2008.

On 14th June, 2007 the Group acquired 100% ownership in ERFI 2000 Ltd. The subsidiary provides property and maintenance services to the Group. The acquired company contributed operating loss of 8 million HUF for the period from 14 June to 31 December 2007.

(38) Segment reports

The primary segment reporting format is determined to be business segments as the Bank's risks and rates of return are affected predominantly by differences in the products and services produced. The basis of pricing inter-segment transfers is the market price. During the reporting period there was no change in the basis of inter-segment transfers.

The following segments could be distinguish 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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(38) Segment reports (continued)

Business segments

2008	(million HUF)						
	Retail banking	Corporate banking	Treasury/ Bank	Leasing	Other	Elimina- tion	Total
External revenue	45,526	117,017	61,234	41,823	4,892	-	270,492
Revenue from other segment	7,366	(26,128)	28,259	(20,430)	10,933	-	
<i>Total revenue</i>	<i>52,892</i>	<i>90,889</i>	<i>89,493</i>	<i>21,393</i>	<i>15,825</i>	<i>-</i>	<i>270,492</i>
Segment result	12,650	34,408	34,720	6,555	10,562	-	98,895
Unallocated cost							58,552
<i>Profit before tax</i>							<i>40,343</i>
Income tax							<u>(12,181)</u>
Profit for the year							28,162
Segment assets	511,107	1,390,634	384,668	584,005	59,692	-	2,930,106
Unallocated assets							<u>108,701</u>
Total assets	-	-	-	-	-	-	3,038,807
Segment liabilities	615,691	617,248	1,477,189	5,757	57,908	-	2,773,793
Unallocated liabilities							<u>47,965</u>
Total liabilities	-	-	-	-	-	-	2,821,488
Other segment information							
Capital expenditure	-	-	-	532	-	-	532
Depreciation	-	482	-	4,757	331	-	5,570
Impairment	6,285	22,889	-	6,592	1	-	35,767
2007 (Restated)	(million HUF)						
	Retail banking	Corporate banking	Treasury/ Bank	Leasing	Other	Elimina- tion	Total
External revenue	33,864	96,620	54,693	36,238	3,791	-	225,206
Revenue from other segment	9,866	(13,367)	13,673	(19,255)	9,083	-	
<i>Total revenue</i>	<i>43,730</i>	<i>83,253</i>	<i>68,366</i>	<i>16,983</i>	<i>12,874</i>	<i>-</i>	<i>225,206</i>
Segment result	10,602	38,853	33,840	4,524	10,769	-	98,588
Unallocated cost							(57,221)
<i>Profit before tax</i>							<i>41,367</i>
Income tax							<u>(11,545)</u>
Profit for the year							29,822
Segment assets	377,284	1,165,846	356,963	471,485	52,231	-	2,423,809
Unallocated assets							<u>(134,203)</u>
Total assets	-	-	-	-	-	-	2,558,012

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(38) Segment reports (continued)

	Retail banking	Corporate banking	Treasury/ Bank	Leasing	Other	Elimina- tion	Total
Segment liabilities	577,520	688,462	990,558	8,174	58,800	-	2,323,514
Unallocated liabilities							<u>58,285</u>
Total liabilities	-	-	-	-	-	-	2,381,799
Other segment information							
Capital expenditure	-	-	-	600	-	-	600
Depreciation	-	43	-	438	302	-	784
Impairment	3,520	5,961	-	4,837	750	-	15,068

Secondary segment is reported geographically. The areas are based on separated regions which are defined in accordance with the sales structure of the Bank.

Geographical segments

2008

	(million HUF)		
	Segment revenue	Segment assets	Capital expenditure
Region Budapest	179,886	1,822,083	532
Region South-East Hungary	18,604	217,240	-
Region South-West Hungary	14,772	207,585	-
Region North-East Hungary	24,915	293,568	-
Region North-West Hungary	22,256	256,587	-
Region Middle Hungary	5,642	70,742	-
European Union	3,157	45,991	-
Other country	1,260	16,310	-
Total segment	270,492	2,930,106	532
Unallocated items	-	108,701	
Total	270,492	3,038,807	

2007

(Restated)

	(million HUF)		
	Segment revenue	Segment assets	Capital expenditure
Region Budapest	152,154	1,508,652	600
Region South-East Hungary	14,959	186,632	-
Region South-West Hungary	11,248	150,390	-
Region North-East Hungary	21,412	246,690	-
Region North-West Hungary	16,957	220,704	-
Region Middle Hungary	3,604	41,926	-
European Union	3,465	45,247	-
Other country	1,407	23,568	-
Total segment	225,206	2,423,809	600
Unallocated items		134,203	
Total	225,206	2,558,012	

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(39) 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 Unit 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.

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 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 forecast transactions. The Group actively uses collateral to reduce its credit risks.

(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 including the approval process, discretionary credit limits, portfolio concentration guidelines, 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.

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(39) Risk management (continued)

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet. 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 balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

(million HUF)	2008	2007 (Restated)
Cash and balances with central bank	41,281	82,857
Deposit with banks and subordinated loans	19,004	94,953
Financial assets at fair value through profit and loss	48,984	67,046
Derivative financial instruments	92,570	36,160
Loans and advances to customers	2,586,262	2,076,246
Financial investments – Available for sale	229,639	162,688
Financial investments – Held to maturity	7,030	10,244
Other assets	<u>28,836</u>	<u>18,164</u>
Total	3,053,606	2,547,358
Financial guarantees	163,790	156,664
Commitments	426,128	464,505

The fair values of derivatives shown on the balance sheet 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)	2008	2007 (Restated)
Italy	601	944
America	413	579
Euro countries	2,573,890	2,055,399
Far East	242	274
Non-Euro countries	10,555	18,417
Other regions	<u>561</u>	<u>633</u>
Total	2,586,262	2,076,246

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements in Note 14.

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, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties.

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 loan portfolio, based on the Group's credit rating system.

2008	Performing	Non-Performing
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	5,103	163
Retail	761,979	36,851
Total	2,429,248	157,014

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(a) Credit risk (continued)

2007 (Restated)	Performing	Non-Performing
A	95,134	3,947
B	379,022	15,409
C	740,895	25,907
D	202,072	16,593
E	104,007	46,745
Other	46,437	10,147
Retail	374,447	15,484
Total	1,942,014	134,232

(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 aging analysis of past due but not impaired loans under fullcontamination by segment:

2008	Under 1 month	31 to 60 days	61 to 90 days	Over 91 days	Total
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
Total	143,821	18,297	6,590	34,469	203,177
2007 (Restated)	Under 1 month	31 to 60 days	61 to 90 days	Over 91 days	Total
Large corporate loans	61,895	10,063	3,478	7,602	83,038
Mid corporate loans	5,467	1,396	892	2,227	9,982
Retail loans	25,156	7,873	3,712	4,612	41,353
Total	92,518	19,332	8,082	14,441	134,373

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 2008 187,981 million HUF (2007: 101,052 million HUF behind the formerly CIB Group' loans and advances).

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.

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(a) Credit risk (continued)

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 of the following information: historical losses on the portfolio, current economic conditions and the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance.

(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.

The liquidity ratio during the year was as follows:

	(%)	
	2008	2007
31 December	10.30	12.77
Daily average during the period	11.83	14.62
Highest	15.24	20.17
Lowest	8.53	9.30

(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 2008 is presented in Note 32.

(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.

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(c) Market risk – Trading (continued)

The market risk for the trading portfolio is managed and monitored based on a VaR 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.

2008	(million HUF)				
	Foreign exchange	Interest rate	Equity	Correlation Effect	Total
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

2007 (Restated)	(million HUF)				
	Foreign exchange	Interest rate	Equity	Correlation Effect	Total
31 December	51	126	13	(12)	178
Daily average during the period	44	83	34	(31)	130
Highest	194	220	110	-	287
Lowest	6	9	5	-	24

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

(d) Market risk – Non-trading

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-balance sheet instruments that mature or reprice during a given period generate

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

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 rate non-trading financial assets and financial liabilities held at 31 December 2008. The sensitivity of equity is calculated by revaluing all non-trading financial assets, liabilities and derivatives at 31 December, 2008 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.

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)

2007 (Restated)	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	+ 75	1,123	(109)	(548)	(339)	(440)	(1,436)
EUR	+ 25	124	52	6	(11)	(6)	41
USD	+ 50	92	25	31	2	-	58
CHF	+ 25	36	3	(49)	(6)	-	(52)
Others	+ 25	18	-	1	-	-	1

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

2007 (Restated)	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	(75)	(1,123)	109	548	339	440	1,436
EUR	(25)	(124)	(52)	(6)	11	6	(41)
USD	(50)	(92)	(25)	(31)	(2)	-	(58)
CHF	(25)	(36)	(3)	49	6	-	52
Others	(25)	(18)	-	(1)	-	-	(1)

(The table includes the amounts on Bank only basis.)

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-balance sheet, 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 adjusted share 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 – Non-trading (continued)

The currency structure of the Group's assets, liabilities and equity as at 31 December, 2008 and 2007 is as follows (currency equivalents in million HUF):

2008	HUF	CHF	EUR	USD	Other	Total
Cash and current accounts with central bank	38,574	147	1,952	461	147	41,281
Deposits with banks	1,035	5,622	5,263	4,853	2,231	19,004
Financial assets at fair value through profit or loss	44,639	-	4,265	80	-	48,984
Derivative financial assets	92,479	-	-	-	-	92,479
Loans and advances to customers	576,193	1,246,182	655,813	25,119	7,498	2,510,805
Financial investments – Available for sale	168,402	61,237	-	-	-	229,639
Financial investments – Held to maturity	6,856	-	-	174	-	7,030
Non-current assets held for sale	26	-	-	-	-	26
Inventory	218	-	-	-	-	218
Deferred tax assets	2,386	-	-	-	-	2,386
Other assets	12,160	62	12,065	5,192	114	29,593
Intangible assets	12,658	-	-	-	-	12,658
Property, plant and equipment	44,704	-	-	-	-	44,704
Total assets	1,000,330	1,313,250	679,358	35,879	9,990	3,038,807
2008	HUF	CHF	EUR	USD	Other	Total
Deposits from banks	57,644	334,926	757,846	4,204	1,148	1,155,768
Derivative financial liabilities	111,646	-	-	-	-	111,646
Deposits from customers	950,914	93,339	254,643	70,090	6,970	1,375,956
Liabilities from issued securities	67,527	-	4,534	-	-	72,061
Deferred tax liabilities	4,421	-	-	-	-	4,421
Other liabilities	30,506	160	13,400	1,598	325	45,989
Provisions	4,261	-	-	-	-	4,261
Subordinated deposits	-	-	51,386	-	-	51,386
Total liabilities	1,226,919	428,425	1,081,809	75,892	8,443	2,821,488
Share capital	62,819	-	-	-	-	62,819
Reserves	42,820	-	-	-	-	42,820
Retained earnings	111,680	-	-	-	-	111,680
Total equity	217,319	-	-	-	-	217,319
Total liabilities and equity	1,444,238	428,425	1,081,809	75,892	8,443	3,038,807
Net on- balance sheet position	<u>(443,908)</u>	<u>884,825</u>	<u>(402,451)</u>	<u>(40,013)</u>	<u>1,547</u>	<u>-</u>
FX position of derivatives	421,523	(883,213)	405,404	40,510	(1,569)	
<i>Off-balance</i>	396,339	21,225	125,501	40,853	3,527	587,445

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

2007 (Restated)	HUF	CHF	EUR	USD	Other	Total
Total assets	1,058,510	937,661	519,677	35,288	6,876	2,558,012
Total liabilities	1,314,410	234,070	846,246	151,246	12,040	2,558,012
Net on- balance sheet position	<u>(255,900)</u>	<u>703,591</u>	<u>(326,569)</u>	<u>(115,958)</u>	<u>(5,164)</u>	<u>-</u>
FX position of derivatives	267,626	(694,626)	307,562	116,632	5,501	
<i>Off-balance</i>	431,573	11,143	131,355	40,878	3,384	618,333

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.

2008	Increase in currency rate in %	(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	-

2008	Decrease in currency rate in %	(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)	-

2007	Increase in currency rate in %	(million HUF)	
		Effect on profit before tax	Effect on equity
EUR	+ 3	262	0.22
USD	+ 2	57	5
CHF	+ 3	212	789
Others	+ 2	3	-

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

2007	Decrease in currency rate in %	(million HUF)	
		Effect on profit before tax	Effect on equity
EUR	(3)	(262)	(0.22)
USD	(2)	(57)	(5)
CHF	(3)	(212)	(789)
Others	(2)	(3)	-

(The table includes the amounts on Bank only basis.)

For the year ended 31 December 2008, the Group has classified all of its derivative instruments as trading (2007: 197 million net gain on hedging instruments).

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.

The effect on equity as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2008 due to a +/- 10 % changes in the S&P 500 index is +/- 25 million HUF.

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 the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Group cannot expect to eliminate all operational risks, but by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(40) 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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(40) Capital and capital management (continued)

No changes were made in the objectives, policies or processes during the years end 31 December 2008 and 31 December 2007.

Regulatory capital	2008	2007
Tier 1 Capital	205,619	173,975
Tier 2 Capital	37,465	40,787
Total Capital	243,084	214,762
 Risk weighted assets	 2,334,639	 2,055,867
 Tier 1 capital ratio	 8.81%	 8.46%
Total capital ratio	9.20%	10.41%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividends, net long positions in own shares and goodwill. The other components of regulatory capital is Tier 2 capital, which includes subordinated long term debts, preference shares and revaluation reserves.