



**CIB BANK Ltd.  
and its subsidiaries**

Non-audited consolidated interim condensed financial statements  
for the period ended 30 June 2018  
prepared in accordance with  
International Financial Reporting Standards  
as adopted by EU

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**Consolidated condensed statements of comprehensive income  
for the period ended 30 June 2018**

	(million HUF)	
	30/06/2018	30/06/2017
Interest income	12,519	14,231
Interest expense	(2,886)	(3,456)
<b>Net interest income</b>	<b>9,633</b>	<b>10,775</b>
Fee and commission income	17,233	16,765
Fee and commission expense	(3,814)	(2,790)
<b>Net fee and commission income</b>	<b>13,419</b>	<b>13,975</b>
Income from trading activities	4,099	5,136
Other operating income / (expenditures)	787	1,078
<b>Net banking income</b>	<b>27,938</b>	<b>30,962</b>
Impairment losses, provisions and net loan losses	13,021	7,724
Operating expenses without bank tax	(24,187)	(24,049)
<b>Profit / (loss) before bank tax and income taxes</b>	<b>16,772</b>	<b>14,638</b>
Bank tax	(3,428)	(3,762)
<b>Profit / (loss) before and income taxes</b>	<b>13,344</b>	<b>10,876</b>
Income tax expenses	(1,487)	(1,413)
<b>Net profit / (loss) for the period</b>	<b>11,857</b>	<b>9,463</b>
<b>Items that may not be reclassified to profit or loss</b>	<b>282</b>	<b>-</b>
<b>Items that may be reclassified to profit or loss</b>	<b>(338)</b>	<b>(466)</b>
Net non-realised (loss) / gain on available-for-sale financial assets (net of taxes)	(338)	(466)
<b>Other comprehensive income for the year (net of taxes)</b>	<b>(56)</b>	<b>(466)</b>
<b>Total comprehensive income for the period</b>	<b>11,801</b>	<b>8,997</b>

**Consolidated condensed statements of financial position  
as at 30 June 2018**

	(million HUF)	
	30/06/2018	31/12/2017
Cash and current accounts with central bank	26,853	38,876
Financial assets measured at fair value through profit or loss	207,347	87,714
a) <i>securities held for trading</i>	169,525	64,115
b) <i>trading derivatives</i>	30,331	18,454
c) <i>financial assets mandatorily measured at fair value</i>	7,491	5,145
Financial assets measured at fair value through other comprehensive income	311,121	247,255
Financial assets measured at amortised cost	1,227,881	1,245,766
a) <i>loans to banks</i>	377,100	459,736
b) <i>loans to customers</i>	815,445	757,124
c) <i>debt securities</i>	35,336	28,906
Hedging derivatives	4,596	1,151
Fair value change of financial assets in hedged portfolios (+/-)	(1,373)	332
Property, land and equipment	14,961	15,602
Intangible assets	9,020	9,620
Repossessed properties	22,718	25,261
Tax assets	1,877	1,079
a) <i>current</i>	1,454	751
b) <i>deferred</i>	423	328
Non-current assets held for sale	335	339
Other assets	11,241	10,235
<b>Total assets</b>	<b>1,836,577</b>	<b>1,683,230</b>

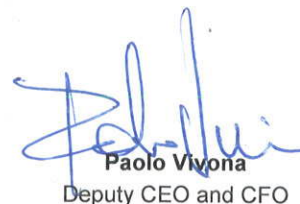
**Consolidated condensed statements of financial position  
as at 30 June 2018**

	(million HUF)	
	30/06/2018	31/12/2017
Financial liabilities measured at amortised cost	1,535,185	1,404,611
a) deposits from banks	249,499	210,247
b) deposits from customers	1,283,037	1,191,755
c) securities issued	2,649	2,609
Trading derivatives	29,967	16,557
Hedging derivatives	517	4,033
Tax liabilities	272	331
a) current	5	28
b) deferred	267	303
Other liabilities	21,163	18,618
Provisions for risk and charges	9,657	10,562
a) commitments and guarantees given	1,137	1,344
b) other provisions for risk and charges	8,520	9,218
Subordinated debts	9,865	9,311
<b>Total liabilities</b>	<b>1,606,626</b>	<b>1,464,023</b>
Share capital	50,000	50,000
Reserves	156,007	203,223
Retained earnings	23,944	-34,016
<b>Total shareholder's equity</b>	<b>229,951</b>	<b>219,207</b>
<b>Total liabilities and shareholder's equity</b>	<b>1,836,577</b>	<b>1,683,230</b>

Budapest, 31 July 2018



**Dr Pál Simák**  
CEO and Chairman of the Board



**Paolo Vivona**  
Deputy CEO and CFO

CIB Bank Ltd.

**Consolidated condensed statements of changes in equity  
For the period ended 30 June 2018**

(million HUF)

	Ordinary shares	Retained earnings	Capital reserve	Valuation reserve	General reserve	Other reserve	Total
<b>Balance at 31 December 2016</b>	<b>50,000</b>	<b>(322,229)</b>	<b>393,919</b>	<b>1,380</b>	<b>751</b>	<b>89,301</b>	<b>213,122</b>
Other comprehensive income (OCI)	-	-	-	(466)	-	-	<b>(466)</b>
Increase of share capital and capital reserve	-	-	15,000	-	-	-	<b>15,000</b>
Repayment of additional payment to shareholder	-	-	-	-	-	(36,000)	<b>(36,000)</b>
Net profit / (loss) for the period	-	9,463	-	-	-	-	<b>9,463</b>
<b>Balance at 30 June 2017</b>	<b>50,000</b>	<b>(312,766)</b>	<b>408,919</b>	<b>914</b>	<b>751</b>	<b>53,301</b>	<b>201,119</b>
<b>Balance at 31 December 2017</b>	<b>50,000</b>	<b>(34,016)</b>	<b>143,028</b>	<b>3,902</b>	<b>2,992</b>	<b>53,301</b>	<b>219,207</b>
IFRS 9 first time adoption	-	-	(1,057)	244	-	-	<b>(813)</b>
<b>Balance at 1 January 2018</b>	<b>50,000</b>	<b>(34,016)</b>	<b>141,971</b>	<b>4,146</b>	<b>2,992</b>	<b>53,301</b>	<b>218,394</b>
Other comprehensive income (OCI)	-	-	-	(300)	-	-	<b>(300)</b>
Decrease of capital reserve	-	46,103	(46,103)	-	-	-	-
Net profit / (loss) for the period	-	11,857	-	-	-	-	<b>11,857</b>
<b>Balance at 30 June 2018</b>	<b>50,000</b>	<b>23,944</b>	<b>95,868</b>	<b>3,846</b>	<b>2,992</b>	<b>53,301</b>	<b>229,551</b>

**Consolidated condensed statements of cash flow  
for the period ended 30 June 2018**

	(million HUF)	
	30/06/2018	30/06/2017
<b>Operating activities</b>		
Profit (loss) before tax	13,344	10,876
Depreciation	1,796	1,699
Fair value adjustment on PPE	(2)	-
Net unrealized (gain) / loss on financial instruments	4,722	1,092
Increase / (decrease) in allowance for loan losses	(227)	(8,476)
Increase / (decrease) in allowance for repossessed properties, own properties and intangible assets	296	-
<b>Working capital changes</b>		
Decrease / (increase) in due from banks	(115,514)	117,506
Decrease / (increase) in financial assets at fair value through profit and loss	(12,024)	(38,085)
Decrease / (increase) in loans and advances to customers	(61,095)	607
Decrease / (increase) in other assets (non-current assets, tax assets, other assets)	(1,705)	(589)
Increase / (decrease) in deposits from banks	39,252	9,534
Increase / (decrease) in deposits from customers and liabilities from issued securities	90,789	(57,000)
Increase / (decrease) in other liabilities (provisions, tax liabilities, other liabilities)	1,614	6,790
Income tax charged	(1,585)	(1,549)
<b>Cash flows used in operating activities</b>	<b>(40,339)</b>	<b>42,405</b>
<b>Investing activities</b>		
Purchase of financial investments	(67,639)	(231,536)
Proceeds from sale of financial investments	31,003	200,102
Acquisitions to intangible and tangible assets	(690)	(551)
Disposals of intangible and tangible assets	55	(357)
Decrease / (increase) of repossessed assets	(159)	(781)
Disposals of repossessed properties	2,493	5,951
<b>Cash flows used in investing activities</b>	<b>(34,937)</b>	<b>(27,172)</b>
<b>Financing activities</b>		
Increase / (decrease) of subordinated debt	553	(59)
Issue of shares	-	15,000
Increase / (decrease) of other equity contribution	-	(36,000)
<b>Cash flows used in financing activities</b>	<b>553</b>	<b>(21,059)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(74,723)</b>	<b>(5,826)</b>

## Notes to the consolidated interim condensed financial statements

### (1) Corporate information

The sole owner and ultimate parent company of CIB Bank Ltd. ("the Bank") became Intesa Sanpaolo S.p.A. /IT Torino, Piazza San Carlo 156/, a bank registered in Italy that holds 100% of the shares of the Bank.

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.

As at 30 June 2018 the Bank had the following subsidiaries ("the Group"):

Company	CIB Group's share %	Country of incorporation	Principal business
CIB Leasing Co. Ltd.	100%	Hungary	Financial leasing services
CIB Rent Ltd.	100%	Hungary	Leasing services
CIB Insurance Broker Ltd.	100%	Hungary	Insurance agency services
CIB Factor Ltd. „u.l.”	100%	Hungary	Factoring financing services
Recovery Ltd.	100%	Hungary	Professional services

The Bank took over CIB Factor's activity and its financial assets as of 1st January 2017, because of CIB Factor's activity ceased and the winding up procedure of CIB Factor commenced on 27th December 2017.

The Bank is consolidated by its ultimate parent company.

### (2) Basis of preparation

The consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

### (3) Significant accounting policies

The same accounting policies, methods, assumptions and estimates have been followed in these condensed consolidated interim financial statements as were applied in the preparation of CIB Bank Ltd. and its subsidiaries' (hereafter 'Group') audited consolidated financial statements for the year ended 31 December 2017, except the changes related to adopting IFRS 9 standard on Financial Instruments (hereafter 'IFRS 9').

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

The official rate of exchange quoted by the Hungarian Central Bank as at 30 June 2018 the Euro was EUR 1 = HUF 328.60 (30 June 2017: EUR 1 = HUF 308.87 and 31 December 2017: EUR 1 = HUF 310.14) and Swiss Franc was CHF 1 = HUF 284.05 (30 June 2017: CHF 1 = HUF 282.57 and 31 December 2017: CHF 1 = HUF 265.24).



**(4) Adopting IFRS 9**

The Group has initially adopted IFRS 9, which replaced IAS 39 concerning the rules for the classification and measurement of financial instruments, as well as the related impairment process from 1 January 2018.

***Classification – Financial assets***

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristic. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI (FVTOCI) and fair value through profit or loss (FVTPL). The standard eliminates IAS 39 categories of held to maturity, loans and receivables and available for sale.

Financial assets may be measured at amortized cost once they are classified under the Hold to Collect business model and pass the SPPI test (cash flows only relate to principal and interest payments). Assets that fail the SPPI test shall be measured at fair value through profit or loss. If financial assets are classified as Hold to Collect and Sell and pass the SPPI test then they can be measured at fair value through other comprehensive income.

***Impairment – Financial assets***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECL's which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI. Loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of the financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The Group applies the new regulations on impairment model as follows:

- allocation of performing assets in different credit risk stages (staging), with corresponding adjustments based on 12-month expected losses (Stage 1), or lifetime (Stage 2) in the event of significant increase in credit risk determined by a comparison of the Probability of Default at first recognition and that at reporting date;
- allocation of non-performing assets in Stage 3, always adjusted according to lifetime expected losses;
- including forward-looking information in the calculation of Expected Credit Losses (ECL), also connected to changes in the macro-economic scenario.

Credit impaired assets are classified to Stage 3 during staging.

***Hedge accounting***

Regarding hedge accounting, the new model – that does not apply to macro-hedging – aims to align accounting recognition with risk management and reinforce the disclosure of the risk management activities of the entity preparing the financial statements.

At the first time adoption the Group chooses the exemption possibility of IFRS 9 to continue using the IAS 39 hedge accounting requirements.

**Notes to the consolidated interim condensed financial statements  
for the period ended 30 June 2018**
**(4) Adopting IFRS 9 (continued)**

In schedules below, the accounting balances of financial assets as at 31 December 2017 (figures determined according to IAS 39) are reconciled to the new accounting captions, according to the reclassifications required because of the new classification criteria introduced by IFRS 9, but without the application of the new measurement criteria and, therefore, with the same amount of total financial assets.

(million HUF)

IFRS 9	IAS 39	Due from banks Financial assets at fair value through profit or loss excl. derivatives	Derivative financial assets	Net loans and advanced to customers	Financial investments – Available-for-sale	Financial investments – Held-to-maturity	Total financial assets
Financial assets measured at fair value through profit or loss	-	63,717	18,454	5,145	398	-	87,714
a) <i>securities held for trading</i>	-	63,717	-	-	398	-	64,115
b) <i>trading derivatives</i>	-	-	18,454	-	-	-	18,454
c) <i>financial assets mandatorily measured at fair value</i>	-	-	-	5,145	-	-	5,145
Financial assets measured at fair value through other comprehensive income	-	-	-	-	247,255	-	247,255
Financial assets measured at amortised cost	459,736	-	-	757,124	-	28,906	1,245,766
a) <i>loans to banks</i>	459,736	-	-	-	-	-	459,736
b) <i>loans to customers</i>	-	-	-	757,124	-	-	757,124
c) <i>debt securities</i>	-	-	-	-	-	28,906	28,906
Hedging derivatives	-	-	1,151	-	-	-	1,151
Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	332	-	-	332
<b>Total financial assets</b>	<b>459,736</b>	<b>63,717</b>	<b>19,605</b>	<b>762,601</b>	<b>247,653</b>	<b>28,906</b>	<b>1,582,218</b>

**Notes to the consolidated interim condensed financial statements  
for the period ended 30 June 2018**
**(4) Adopting IFRS 9 (continued)**

The schedules below show the reconciliation between the balance sheet as at 31 December 2017 (which incorporates the new IFRS 9 presentation rules) and the balance sheet as at 1 January 2018 (which incorporates the new IFRS 9 measurement and impairment rules). In these schedules, the accounting balances as at 31 December 2017 (amounts determined in accordance with IAS 39) have been modified because of the application of the new measurement and impairment rules, to determine the IFRS 9 compliant opening balances.

(million HUF)

	31/12/2017	Measure- ment	01/01/2018
Cash and current accounts with central bank	38,876	-	38,876
Financial assets measured at fair value through profit or loss	87,714	20	87,734
Financial assets measured at fair value through other comprehensive income	247,255	-	247,255
Financial assets measured at amortised cost	1,245,766	(833)	1,244,933
Hedging derivatives	1,151	-	1,151
Fair value change of financial assets in hedged portfolios (+/-)	332	-	332
Property, land and equipment	15,602	-	15,602
Intangible assets	9,620	-	9,620
Reposessed properties	25,261	-	25,261
Tax assets	1,079	-	1,079
Non-current assets held for sale	339	-	339
Other assets	10,235	-	10,235
<b>Total assets</b>	<b>1,683,230</b>	<b>(813)</b>	<b>1,682,417</b>

(million HUF)

	31/12/2017	Measure- ment	01/01/2018
Financial liabilities measured at amortised cost	1,404,611	-	1,404,611
Trading derivatives	16,557	-	16,557
Hedging derivatives	4,033	-	4,033
Tax liabilities	331	-	331
Other liabilities	18,618	-	18,618
Provisions for risk and charges	10,562	-	10,562
Subordinated debts	9,311	-	9,311
Share capital	50,000	-	50,000
Reserves	203,223	(813)	202,410
Retained earnings	(34,016)	-	(34,016)
<b>Total liabilities and shareholder's equity</b>	<b>1,683,230</b>	<b>(813)</b>	<b>1,682,417</b>

First time adoption reserve comprises effects of reclassification from other comprehensive income regarding available for sale financial instruments with an amount of HUF 244 million.

**Notes to the consolidated interim condensed financial statements  
for the period ended 30 June 2018**
**(5) Dividend paid**

There was no dividend, declared or paid in either 2018 or 2017.

**(6) Impairment recognized and impairment reversed with respect to inventories (repossessed properties), intangible and tangible assets**

There was HUF 251 million impairment recognized and was HUF 37 million impairment reversed with respect to inventories, intangible and tangible assets for June 2018, and HUF 750 million impairment recognized for June 2017.

**(7) Liabilities from issued securities**

(million HUF)

	30/06/2018	31/12/2017
Gross amount of issued securities	5,008	5,008
Repurchased amount of issued securities	(2,925)	(2,911)
Accrued interest payable from the net amount of issued securities	566	512
<b>Net amount of liabilities from issues securities</b>	<b>2,649</b>	<b>2,609</b>

(million HUF)

<b>Issued securities listed on the Budapest Stock Exchange comprise the following set of securities</b>	30/06/2018	31/12/2017
<b>CIB 2018/B</b> bonds were issued in HUF since 8 August 2013 and will mature on 28 December 2018. The bonds pay fix interest of 30.0% at maturity.	2,641	2,601
CIB Kincsem bond	8	8
<b>Total</b>	<b>2,649</b>	<b>2,609</b>

**(8) Share capital and reserves**

At 30 June 2018, the fully paid share capital consisted of 50,000,000,003 ordinary shares of HUF 1 each.

During 2017 Intesa Sanpaolo S.p.A. increased the share capital of the Bank with HUF 1 issuing 1 pieces of ordinary share of HUF 1. At 31 December 2017, the fully paid share capital consisted of 50,000,000,003 ordinary shares of HUF 1 each.

There were no significant incremental costs directly attributable to the issue of shares 2018 and 2017.

Capital reserve contains the shareholders' total capital contributions that connecting to the issue of new shares.

In the first half of 2018, the negative retained earnings of the Bank was reclassified to capital reserve, with an amount of HUF 46,103 million.

In the first half of 2017 Intesa Sanpaolo S.p.A. issued new shares for the Bank by HUF 15,000 million. HUF 1 was recorded as share capital increase, the difference between the face value of the new shares and the paid in capital contribution is recognized in the capital reserve.

During 2017, according to the Hungarian Accounting Law, reclassification of HUF 265,891 million was made between retained earnings and capital reserve upon CIB Factor merge into the Bank.

Other reserve comprises the Group's income from transaction under common control in the amount of HUF 4,164 million. These reserves are non-distributable as dividends. In addition to the above other reserve includes proceed received on sale of loan portfolio to the shareholder in amount of HUF 49,137 million. Besides, other reserve comprised the additional payment by shareholder to cover financial losses in the amount of HUF 36,000 million as at 31 December 2013. The Bank reclassified the additional payment made by the shareholder from equity to liabilities in 31 March 2017. During May, 2017 the entire amount of the additional payment made by the shareholder was repaid.

**Notes to the consolidated interim condensed financial statements  
for the period ended 30 June 2018**
**(8) Share capital and reserves (continued)**

Under section 83 of Act No. CCXXXVII of 2013, an amount equal to 10% of net profit after tax as per the Bank's Hungarian statutory accounts must be transferred to a non-distributable general reserve. This general reserve may be created by credit institutions only from taxed profits. If there is a loss in the current financial year, the general reserve may be released insofar as to cover any such losses, but is not to exceed the amount set aside in the general reserve.

Reserves classified as capital reserve, revaluation reserve, other reserve and general reserve can not be paid as dividend.

**(9) Commitment and contingencies**

(million HUF)

<b>30/06/2018</b>	<b>Gross amount</b>	<b>Other liability</b>	<b>Provision</b>
Guarantees	40,502	(550)	-
Letters of credit	6,119	(5)	-
<b>Total financial guarantees</b>	<b>46,621</b>	<b>(555)</b>	<b>-</b>
Commitments	408,385	-	(1,137)
<b>Total</b>	<b>455,006</b>	<b>(555)</b>	<b>(1,137)</b>

(millió forint)

<b>31/12/2017</b>	<b>Gross amount</b>	<b>Other liability</b>	<b>Provision</b>
Guarantees	30,871	(527)	-
Letters of credit	4,738	(11)	-
<b>Total financial guarantees</b>	<b>35,609</b>	<b>(538)</b>	<b>-</b>
Commitments	375,940	-	(1,344)
<b>Total</b>	<b>411,594</b>	<b>(538)</b>	<b>(1,344)</b>

Letters of credit, guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customer's 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.

**(10) Related party transactions**
**(a) Companies (Intesa Sanpaolo Group)**

For the consolidated interim 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 a related party that has significant control over the Bank.

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

All transactions with companies in the Intesa Sanpaolo Group are conducted at market rates.

**Notes to the consolidated interim condensed financial statements  
for the period ended 30 June 2018**
**(10) Related party transactions (continued)**

(million HUF)

<b>30/06/2018</b>	<b>Parent</b>	<b>ISP Group companies</b>	<b>Total</b>
<b>Assets</b>			
Due from banks and loans to customers	204,069	13,272	217,341
Financial investments	376	-	376
Derivative financial assets	185	11,000	11,185
Other assets	66	111	177
<b>Liabilities</b>			
Due to banks and due to customers	100,825	3,280	104,105
Subordinated debt	-	9,865	9,865
Derivative financial liabilities	458	7,915	8,373
Other liabilities	4	-	4
<b>Commitments</b>			
Guarantees	19	13	32
Loan commitments	59,994	1	59,995
Interest rate derivatives	4,000	1,388,978	1,392,978
Currency derivatives	78,981	600	79,581
Equity derivatives	-	43,477	43,477
<b>Interest margin</b>	<b>(343)</b>	<b>(726)</b>	<b>(1,069)</b>

(million HUF)

<b>31/12/2017</b>	<b>Parent</b>	<b>ISP Group companies</b>	<b>Total</b>
<b>Assets</b>			
Due from banks and loans to customers	114,891	12,636	127,527
Financial investments	398	-	398
Derivative financial assets	330	9,398	9,728
Other assets	-	152	152
<b>Liabilities</b>			
Due to banks and due to customers	55,254	1,882	57,136
Subordinated debt	-	9,311	9,311
Derivative financial liabilities	151	10,662	10,813
<b>Commitments</b>			
Guarantees	-	84	84
Loan commitments	60,000	2	60,002
Interest rate derivatives	4,000	889,890	893,890
Currency derivatives	65,406	326	65,732
Equity derivatives	-	42,628	42,628
<b>Interest margin</b>	<b>(843)</b>	<b>(630)</b>	<b>(1,473)</b>

**(10) Related party transactions (continued)****(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 and the Supervisory Board. They receive conditions generally provided to the employees of the CIB Group.

**(11) Business combinations and transactions under common control**

There was no business combination and transaction under common control in the first half of 2018 nor in 2017.

**(12) Events after the reporting date**

There were no significant events after the reporting date that has effect on the financial position of the Group.

**(13) Segment report**

For management purposes the Group is organized into operating segments based on services and products. The Management Board of the Bank monitors the operating results of its business units separately for making decision about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss. Operating segment result represents the banking income less of impairment loss, provision and net loan losses. Income taxes are managed on a Group basis and are not allocated to operating segments.

The following segments could be distinguished as being separate from each other

- Retail banking contains private customer current accounts, savings, deposits; customer loans and mortgages; financial leasing services
- Corporate banking contains banking services, savings, deposits, investment savings products and corporate loans.
- Treasury and Bank segment contains trading and treasury services.
- The other segment contains both the subsidiaries whose activities are not financial and public sector, such as property management.

Net banking income of other segment is due to the transfer of interest on non-interest earning asset and liabilities classified to the other segment category.

Geographical segments are not presented in the consolidated financial statements as the cost of producing such information would exceed its merits.

**Notes to the consolidated interim condensed financial statements  
for the period ended 30 June 2018**
**(13) Segment report (continued)**

(million HUF)

30/06/2018	Retail banking	Corporate banking	Treasury / Bank	Other	Total
Net interest income	4,468	3,829	109	1,227	9,633
Net commission income	10,728	2,691	-	-	13,419
Trading income	-	-	4,099	-	4,099
Other operating income	-	-	-	787	787
<b>Net banking income</b>	<b>15,196</b>	<b>6,520</b>	<b>4,208</b>	<b>2,014</b>	<b>27,938</b>
Impairment losses, provisions and net loan losses	3,206	8,852	-	963	13,021
<b>Segment result</b>	<b>18,402</b>	<b>15,372</b>	<b>4,208</b>	<b>2,977</b>	<b>40,959</b>
Unallocated cost					(27,615)
<b>Profit before tax</b>					<b>13,344</b>
Income tax					(1,487)
<b>Profit for the year</b>					<b>11,857</b>
<b>Segment assets</b>					
Loans and advances to customers	335,964	485,599	-	-	821,563
Due from banks	-	-	403,953	-	403,953
Securities	-	-	515,982	-	515,982
Derivative financial assets	-	-	34,927	-	34,927
Other assets	-	-	-	59,729	59,729
Deferred tax assets	-	-	-	423	423
<b>Total assets</b>	<b>335,964</b>	<b>485,599</b>	<b>954,862</b>	<b>60,152</b>	<b>1,836,577</b>
<b>Segment liabilities</b>					
Deposit from customers and liabilities from issued securities	552,059	733,627	-	-	1,285,686
Deposit from banks and subordinated debt	-	-	259,364	-	259,364
Derivative financial liabilities	-	-	30,484	-	30,484
Other liabilities	-	-	-	30,825	30,825
Deferred tax liabilities	-	-	-	267	267
<b>Total liabilities</b>	<b>552,059</b>	<b>733,627</b>	<b>289,848</b>	<b>31,092</b>	<b>1,606,626</b>



**Notes to the consolidated interim condensed financial statements  
for the period ended 30 June 2018**
**(13) Segment report (continued)**

(million HUF)

<b>30/06/2017</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury / Bank</b>	<b>Other</b>	<b>Total</b>
Net interest income	4,442	4,231	675	1,425	10,773
Net commission income	8,809	5,166	-	-	13,975
Trading income	-	-	5,136	-	5,136
Other operating income	-	-	-	1,078	1,078
<b>Net banking income</b>	<b>13,251</b>	<b>9,397</b>	<b>5,811</b>	<b>2,503</b>	<b>30,962</b>
Impairment losses, provisions and net loan losses	3,032	6,183	-	(1,491)	7,724
<b>Segment result</b>	<b>16,283</b>	<b>15,580</b>	<b>5,811</b>	<b>1,012</b>	<b>38,686</b>
Unallocated cost					(27,810)
<b>Profit before tax</b>					<b>10,876</b>
Income tax					(1,413)
<b>Profit for the year</b>					<b>9,463</b>

<b>31/12/2017</b>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Treasury / Bank</b>	<b>Other</b>	<b>Total</b>
<b>Segment assets</b>					
Loans and advances to customers	290,189	472,412	-	-	762,601
Due from banks	-	-	459,736	-	459,736
Securities	-	-	340,253	23	340,276
Derivative financial assets	-	-	19,605	-	19,605
Other assets	-	-	-	100,684	100,684
Deferred tax assets	-	-	-	328	328
<b>Total assets</b>	<b>290,189</b>	<b>472,412</b>	<b>819,594</b>	<b>101,035</b>	<b>1,683,230</b>
<b>Segment liabilities</b>					
Deposit from customers and liabilities from issued securities	500,466	693,898	-	-	1,194,364
Deposit from banks and subordinated debt	-	-	219,558	-	219,558
Derivative financial liabilities	-	-	20,590	-	20,590
Other liabilities	-	-	-	29,208	29,208
Deferred tax liabilities	-	-	-	303	303
<b>Total liabilities</b>	<b>500,466</b>	<b>693,898</b>	<b>240,148</b>	<b>29,511</b>	<b>1,464,023</b>