

International Investment Bank

Interim condensed separate financial statements

30 June 2019

Report on Review of Interim Financial Information of International Investment Bank

Contents	Page
Report on Review of Interim Financial Information	3
Appendices	
Interim separate statement of financial position	4
Interim separate income statement	5
Interim separate statement of comprehensive income	6
Interim separate statement of changes in equity	7
Interim separate statement of cash flows	8
Notes to the interim condensed separate financial statements	
1. Principal activities	9
2. Basis of preparation	10
3. Summary of accounting policies	11
4. Significant accounting judgments and estimates	12
5. Cash and cash equivalents	12
6. Deposits with banks and other financial institutions	13
7. Derivative financial instruments	14
8. Securities at fair value through other comprehensive income	16
9. Securities at amortized cost	17
10. Loans to banks	17
11. Loans to customers	21
12. Other assets and liabilities	25
13. Allowances for credit losses	26
14. Due to banks and other financial institutions	26
15. Long-term loans of banks	27
16. Debt securities issued	27
17. Equity	28
18. Commitments and contingencies	29
19. Leases	32
20. Interest income and interest expenses	32
21. Net losses from operations with foreign currencies and derivatives	33
22. General and administrative expenses	33
23. Risk management	33
24. Fair value measurements	40
25. Segment information	43
26. Related party disclosures	49
27. Capital adequacy	49

Report on Review of Interim Financial Information

To the Board of Governors of International Investment Bank

Introduction

We have reviewed the accompanying interim condensed separate financial statements of International Investment Bank, which comprise the interim separate statement of financial position as at 30 June 2019, the interim separate income statement, interim separate statement of comprehensive income, interim separate statement of changes in equity and interim separate statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of International Investment Bank is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

1 August 2019



Szabó Gergely
Partner
Ernst & Young Könyvvizsgáló Kft.
1132 Budapest, Váci út 20.

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION**As at 30 June 2019***(Thousands of euros)*

	<i>Note</i>	30 June 2019 (unaudited)	31 December 2018
Assets			
Cash and cash equivalents	5	71,929	49,233
Deposits with banks and other financial institutions	6	29,356	47,396
Derivative financial assets	7	2,809	3,720
Securities at fair value through other comprehensive income	8	220,641	204,332
Securities at amortized cost	9	55,492	41,465
Securities at amortized cost pledged under repurchase agreements		19,101	–
Loans to banks	10	162,299	176,632
Loans to customers	11	613,212	576,203
Investment in subsidiary	2	145	145
Investment property		25,057	20,788
Property, equipment and intangible assets		70,974	71,264
Other assets	12	5,034	3,236
Total assets		1,276,049	1,194,414
Liabilities			
Due to banks and other financial institutions	14	74,164	67,872
Derivative financial liabilities	7	30,591	50,943
Current customer accounts		10,023	9,716
Long-term loans of banks	15	45,249	57,553
Debt securities issued	16	713,458	623,454
Other liabilities	12	10,021	8,926
Total liabilities		883,506	818,464
Equity			
Authorized capital	17	2,000,000	2,000,000
Less: unallocated capital		(875,500)	(875,500)
Subscribed capital		1,124,500	1,124,500
Less: callable capital		(794,888)	(798,538)
Paid-in capital		329,612	325,962
Revaluation reserve for securities at fair value through other comprehensive income		2,704	(7,366)
Revaluation reserve for property and equipment		13,748	13,748
Retained earnings less net income for the period		43,606	37,985
Net income for the period		2,873	5,621
Total equity		392,543	375,950
Total equity and liabilities		1,276,049	1,194,414

Signed and authorized for release on behalf of the Management Board of the Bank

Nikolay Kosov

Chairperson of the Management Board

Elena Minduksheva

Deputy Director of the Finance Department

1 August 2019

The accompanying notes 1-27 are an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE INCOME STATEMENT**Six months ended 30 June 2019***(Thousands of euros)*

	<i>Note</i>	<i>For the six months ended 30 June (unaudited)</i>	
		2019	2018
Interest income calculated using the EIR method	20	23,716	21,604
Other interest income	20	9,267	7,943
Interest expense calculated using the EIR method	20	(17,645)	(17,476)
Other interest expense	20	(4,169)	(908)
Net interest income		11,169	11,163
Net allowance for credit losses on financial instruments	5-6, 8, 10-11, 12-13, 18	274	59
Net interest income after allowance for loan impairment		11,443	11,222
Fee and commission income		673	870
Fee and commission expense		(246)	(215)
Net fee and commission income		427	655
Net losses from operations with foreign currencies and derivatives	21	(2,208)	(1,860)
Net gains from operations with securities at fair value through profit or loss		–	92
Net gains from operations with securities at fair value through other comprehensive income		1,715	2,238
Dividend income		–	6
Income from lease of investment property	19	1,582	2,032
Losses from revaluation of investment property		(891)	–
Other (expenses)/income		(492)	453
Net non-interest (expenses)/income		(294)	2,961
Operating income		11,576	14,838
General and administrative expenses	22	(8,393)	(8,759)
Other operating expenses on banking operations		(310)	(987)
Operating expenses		(8,703)	(9,746)
Net income for the period		2,873	5,092

The accompanying notes 1-27 are an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME**Six months ended 30 June 2019***(Thousands of euros)*

	<i>Note</i>	<i>For the six months ended 30 June (unaudited)</i>	
		<i>2019</i>	<i>2018</i>
Net income for the period		<u>2,873</u>	<u>5,092</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net change in the fair value of debt instruments at fair value through other comprehensive income	17	10,023	(6,780)
Change in the allowance for expected credit losses related to securities at fair value through other comprehensive income	8	<u>(64)</u>	<u>306</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		<u>9,959</u>	<u>(6,474)</u>
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>			
Income/(losses) on equity instruments at fair value through other comprehensive income		<u>111</u>	<u>(48)</u>
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		<u>111</u>	<u>(48)</u>
Other comprehensive income/(loss)		<u>10,070</u>	<u>(6,522)</u>
Total comprehensive income/(loss) for the period		<u><u>12,943</u></u>	<u><u>(1,430)</u></u>

The accompanying notes 1-27 are an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY**Six months ended 30 June 2019***(Thousands of euros)*

	<i>Authorized capital</i>	<i>Unallocated capital</i>	<i>Callable capital</i>	<i>Revaluation reserve for securities</i>	<i>Revaluation reserve for property and equipment</i>	<i>Retained earnings</i>	<i>Total equity</i>
At 31 December 2017	1,300,000	(175,500)	(809,538)	240	13,748	66,636	395,586
Impact of adopting IFRS 9	–	–	–	2,043	–	(28,903)	(26,860)
At 1 January 2018	1,300,000	(175,500)	(809,538)	2,283	13,748	37,733	368,726
Profit for the period	–	–	–	–	–	5,092	5,092
Other comprehensive loss for the period	–	–	–	(6,522)	–	252	(6,270)
Total comprehensive income/(loss)	–	–	–	(6,522)	–	5,344	(1,178)
At 30 June 2018 (unaudited)	1,300,000	(175,500)	(809,538)	(4,239)	13,748	43,077	367,548
At 31 December 2018	2,000,000	(875,500)	(798,538)	(7,366)	13,748	43,606	375,950
Profit for the period	–	–	–	–	–	2,873	2,873
Other comprehensive income	–	–	–	10,070	–	–	10,070
Total comprehensive income	–	–	–	10,070	–	2,873	12,943
Contributions to capital (Note 17)	–	–	3,650	–	–	–	3,650
At 30 June 2019 (unaudited)	2,000,000	(875,500)	(794,888)	2,704	13,748	46,479	392,543

The accompanying notes 1-27 are an integral part of these interim condensed separate financial statements.