МБЭС
Международный Банк
Экономического Сотрудничества

International Bank for Economic Co-operation

Interim condensed financial statements

30 June 2023
(together with report on review)

Contents

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Report on Review of the Interim Financial Information

To the Council of
International Bank for Economic Co-operation

Introduction

We have reviewed the accompanying interim condensed financial statements of International Bank for Economic Co-operation, which comprise of the interim statement of financial position as at 30 June 2023, the interim statement of profit or loss and other comprehensive income, interim statement of changes in equity and interim statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information).

Management of the 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.

NEW CHALLENGES
NEW SOLUTIONS

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*.

G.A. Shinin
Partner
TSATR – Audit Services Limited Liability Company

17 August 2023

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the entity

Name: International Bank for Economic Co-operation
Acting under the Intergovernmental Agreement for the Organization and Activities of IBEC, registered with the Secretariat of the United Nations on 20 August 1964 and the Statutes of IBEC, registered with the Secretariat of the United Nations on 20 August 1964 № 7388.
Address: Russia 107996, Moscow, Masha Poryvaeva str., 11, GSP-6.

Interim statement of financial position

as at 30 June 2023

(EUR thousand)

	Note	30 June 2023 (unaudited)	31 December 2022
Assets			
Cash and cash equivalents	5	67,085	88,461
Securities at fair value through profit or loss	6	6,445	6,775
Securities at fair value through other comprehensive income	7	101,385	68,074
- Held by the Bank		101,385	*57,634*
- Pledged under repurchase agreements		–	*10,440*
Securities at amortized cost	8	29,139	45,104
- Held by the Bank		*29,139*	*34,269*
- Pledged under repurchase agreements		–	*10,835*
Loans and deposits to banks	9	63,638	63,262
- Term deposits with banks		*47,281*	*49,164*
- Loans issued to banks under trade financing		*16,357*	*14,098*
Loans to corporate customers	10	110,494	127,689
Derivative financial assets	11	603	1,135
Property, plant and equipment, intangible assets and right-of-use assets	12	52,220	52,860
Other assets	13	21,762	8,704
Total assets		**452,771**	**462,064**
Liabilities			
Due to credit institutions	14	38,980	65,121
Due to customers	15	20,408	18,041
Derivative financial liabilities	11	6,428	2,137
Debt securities issued	16	145,507	152,190
Other liabilities	13	7,162	9,821
Total liabilities		**218,485**	**247,310**
Equity			
Paid-in capital	1	200,000	200,000
Revaluation reserve for securities at fair value through other comprehensive income		1,989	(14,849)
Revaluation reserve for property, plant and equipment		23,115	23,115
Cash flow hedge reserve	11	313	(1,148)
Retained earnings less net profit for the period		7,636	93,388
Net profit (loss) for the period		1,233	(85,752)
Total equity		**234,286**	**214,754**
Total liabilities and equity		**452,771**	**462,064**
Off-balance sheet commitments			
Credit-related commitments	17	28,650	45,101

Denis Ivanov — Acting Chairman of the Board

Inna Zheleznova — Director of the Financial Department

17 August 2023

Международный банк экономического сотрудничества МБЭС Москва

The accompanying notes 1-29 are an integral part of these interim condensed financial statements.

Interim statement of profit or loss and other comprehensive income

for the six months ended 30 June 2023

(EUR thousand)

		For the six months ended 30 June (unaudited)	
	Note	**2023**	**2022**
Interest income calculated using the EIR method		8,434	10,701
Other interest income		64	95
Interest expense		(3,572)	(7,011)
Net interest income	18	**4,926**	**3,785**
Allowance for expected credit losses from financial assets	22	(4,481)	(18,914)
Net interest income (expense) after allowance for expected credit losses		**445**	**(15,129)**
Fee and commission income		481	1,133
Fee and commission expense		(521)	(267)
Net fee and commission (expense) income	19	**(40)**	**866**
Net losses from operations with securities at fair value through profit or loss		(334)	(2,323)
Net losses from operations with securities at fair value through other comprehensive income	20	(481)	(12,807)
Net losses from operations with securities at amortized cost	8	(250)	(2,438)
Net losses from operations with loans at amortized cost	10	–	(2,880)
Net gains (losses) from operations with derivative financial instruments and foreign currency			
- *Dealing*	11	3,973	(14,027)
- *Revaluation of currency items*		2,596	(56,537)
Lease income		978	1,155
Other banking income		360	357
Administrative and management expenses	21	(5,958)	(6,311)
Net losses from disposal of property, plant and equipment		(7)	–
Other provisions	23	(41)	(154)
Other banking expenses		(8)	(507)
Profit (loss) for the period		**1,233**	**(110,735)**

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Interim statement of profit or loss and other comprehensive income

for the six months ended 30 June 2023 (continued)

(EUR thousand)

	Note	*For the six months ended 30 June (unaudited)* 2023	2022
Other comprehensive income (loss)			
Items that are or may be subsequently reclassified to profit or loss			
Unrealized gains (losses) from operations with securities at fair value through other comprehensive income	20	7,994	(28,612)
Realized losses from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	20	599	12,916
Change in allowance for expected credit losses		8,245	11,272
Net gains (losses) from cash flow hedges	11	1,461	(1,579)
Total items that are or may be subsequently reclassified to profit or loss		**18,299**	**(6,003)**
Total other comprehensive income (loss)		**18,299**	**(6,003)**
Total comprehensive income (loss) for the period		**19,532**	**(116,738)**

Interim statement of changes in equity
for the six months ended 30 June 2023

(EUR thousand)

	Paid-in capital	Revaluation reserve for securities at fair value through other comprehensive income	Revaluation reserve for property, plant and equipment	Cash flow hedge reserve	Retained earnings	Total equity
1 January 2023	**200,000**	**(14,849)**	**23,115**	**(1,148)**	**7,636**	**214,754**
Net profit for the period	**–**	**–**	**–**	**–**	**1,233**	**1,233**
Other comprehensive income						
Items that are or may be subsequently reclassified to profit or loss						
Unrealized gains from operations with securities at fair value through other comprehensive income	–	7,994	–	–	–	**7,994**
Realized losses from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	–	599	–	–	–	**599**
Change in allowance for expected credit losses	–	8,245	–	–	–	**8,245**
Net unrealized gains (losses) from cash flow hedges	–	–	–	(3,493)	–	**(3,493)**
Net (gains) losses from cash flow hedges, reclassified to profit or loss	–	–	–	4,954	–	**4,954**
Total items that are or may be subsequently reclassified to profit or loss	**–**	**16,838**	**–**	**1,461**	**–**	**18,299**
Total other comprehensive income	**–**	**16,838**	**–**	**1,461**	**–**	**18,299**
Total comprehensive income for the period	**–**	**16,838**	**–**	**1,461**	**1,233**	**19,532**
30 June 2023 (unaudited)	**200,000**	**1,989**	**23,115**	**313**	**8,869**	**234,286**

Interim statement of changes in equity

for the six months ended 30 June 2023 (continued)

(EUR thousand)

	Paid-in capital	*Revaluation reserve for securities at fair value through other comprehensive income*	*Revaluation reserve for property, plant and equipment*	*Cash flow hedge reserve*	*Retained earnings*	*Total equity*
1 January 2022	**200,000**	**(4,724)**	**21,528**	**(5,497)**	**93,388**	**304,695**
Net loss for the period	**–**	**–**	**–**	**–**	**(110,735)**	**(110,735)**
Other comprehensive loss						
Items that are or may be subsequently reclassified to profit or loss						
Unrealized losses from operations with securities at fair value through other comprehensive income	–	(28,612)	–	–	–	**(28,612)**
Realized losses from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	–	12,916	–	–	–	**12,916**
Change in allowance for expected credit losses	–	11,272	–	–	–	**11,272**
Net unrealized gains (losses) from cash flow hedges	–	–	–	58,912	–	**58,912**
Net (gains) losses from cash flow hedges, reclassified to profit or loss	–	–	–	(60,491)	–	**(60,491)**
Total items that are or may be subsequently reclassified to profit or loss	**–**	**(4,424)**	**–**	**(1,579)**	**–**	**(6,003)**
Total other comprehensive loss	**–**	**(4,424)**	**–**	**(1,579)**	**–**	**(6,003)**
Total comprehensive loss for the period	**–**	**(4,424)**	**–**	**(1,579)**	**(110,735)**	**(116,738)**
30 June 2022 (unaudited)	**200,000**	**(9,148)**	**21,528**	**(7,076)**	**(17,347)**	**187,957**

The accompanying notes 1-29 are an integral part of these interim condensed financial statements.

Interim statement of cash flows

for the six months ended 30 June 2023

(EUR thousand)

		For the six months ended 30 June (unaudited)	
	Note	**2023**	**2022**
Cash flows from operating activities			
Profit (loss) for the period		**1,233**	**(110,735)**
Adjustments for:			
Accrued interest receivable		122	290
Accrued interest payable		(1,273)	(3,869)
Other accrued income receivable		71	(56)
Other accrued expenses payable		160	4,394
Depreciation and amortization	12, 21	688	640
Allowance for expected credit losses from financial assets	22	4,481	18,914
Other provisions	23	41	154
Remeasurement of securities at fair value through profit or loss		334	1,215
Revaluation of currency items		(3,087)	57,482
Fair value remeasurement of hedges		491	(945)
Net losses from operations with securities at fair value through other comprehensive income	20	481	12,807
Net losses from disposal of property, plant and equipment		7	–
Cash from (used in) operating activities before changes in operating assets and liabilities		**3,749**	**(19,709)**
(Increase) decrease in operating assets			
Securities at fair value through profit or loss		–	2,605
Loans and deposits to banks		5,885	106,373
Loans to corporate customers		12,284	58,136
Other assets		(4,314)	(45,887)
Increase (decrease) in operating liabilities			
Due to credit institutions		(24,568)	(24,318)
Due to customers		3,540	(83,022)
Other liabilities		(329)	29,948
Net cash (used in) from operating activities		**(3,753)**	**24,126**
Cash flows from investing activities			
Purchases of securities at fair value through other comprehensive income		(41,288)	(43,354)
Sales of securities at fair value through other comprehensive income		10,348	114,196
Purchases of securities at amortized cost		(2,329)	(3,544)
Proceeds from the sale of securities at amortized cost		4,750	6,399
Purchases of property, plant and equipment	12	(66)	(198)
Net cash from (used in) investing activities		**(28,585)**	**73,499**

Interim statement of cash flows

for the six months ended 30 June 2023 (continued)

(EUR thousand)

	Note	For the six months ended 30 June (unaudited) 2023	2022
Cash flows from financing activities			
Proceeds from bonds issued	16	18,668	–
Repayment of long-term financing from banks		(864)	(41)
Payments for lease liabilities		–	(2)
Net cash from (used in) financing activities		**17,804**	**(43)**
Net (decrease) increase in cash and cash equivalents before translation differences		**(14,534)**	**97,582**
Effect of changes in exchange rates on cash and cash equivalents		(6,790)	3,552
Effect of changes in expected credit losses on cash and cash equivalents		(52)	(66)
Net (decrease) increase in cash and cash equivalents		**(21,376)**	**101,068**
Cash and cash equivalents at 31 December of the year preceding the reporting period	5	88,461	27,855
Cash and cash equivalents at 30 June of the reporting year	5	**67,085**	**128,923**
Additional information			
Interest received		8,620	11,086
Interest paid		(4,845)	(10,880)

(EUR thousand)

1. Principal activities of the Bank

The International Bank for Economic Co-operation (hereinafter, "IBEC" or the "Bank") was established in 1963 and is headquartered in Moscow, the Russian Federation.

The Bank is an international financial institution established and operating under the Intergovernmental Agreement Concerning the Organization and Activities of IBEC (registered with the United Nations Secretariat on 20 August 1964) (hereinafter, the "Agreement") and the Statutes of IBEC.

In December 2020, the IBEC Council approved the IBEC's Development Strategy for 2021-2025, which defines that the main mission of IBEC is to support the economic development of member countries by building linkages through intra- and interregional trade operations, develop economies of member countries and assist in financing projects that contribute to the achievement of sustainable development goals due to the Bank's supranational status as an "out of the politics" institution and in accordance with international rules and principles.

In accordance with IBEC's Statutes, the Bank is authorized to conduct a full range of banking operations in line with the Bank's aims and objectives, including:

- Opening and maintaining customer accounts, receiving and placing customer funds in accounts with the Bank, handling documents and performing import and export payment and settlement operations, performing conversion, arbitrage, cash, guarantee, documentary and factoring operations, and providing banking consulting and other services;
- Attracting deposits and loans, issuing securities;
- Granting loans and bank guarantees, placing deposits and other borrowings, financing capital investments, discounting promissory notes, purchasing and selling securities, participating in the capital of banks and financial and other institutions;
- Other banking operations.

In accordance with the Agreement, the authorized share capital of IBEC consists of equity contributions from IBEC member countries and amounts to EUR 400,000 thousand. The paid portion of IBEC's share capital as at 30 June 2023 amounts to EUR 200,000 thousand (31 December 2022: EUR 200,000 thousand).

As at 30 June 2023, the Bank's member countries are four countries located in Europe and Asia: the Republic of Bulgaria, the Socialist Republic of Vietnam, Mongolia, and the Russian Federation (31 December 2022: eight countries: the Republic of Bulgaria, the Socialist Republic of Vietnam, Mongolia, the Republic of Poland, the Russian Federation, Romania, the Slovak Republic and the Czech Republic).

In the first half of 2023, the Republic of Poland, the Slovak Republic, the Czech Republic and Romania withdrew from the Agreement Concerning the Organization and Activities of IBEC, as per advance notifications. In February 2023, the Republic of Bulgaria notified the Bank of its withdrawal from the Agreement Concerning the Organization and Activities of IBEC and from its membership in the Bank (the withdrawal date was set at 17 August 2023).

By the time of withdrawal, the IBEC Council comprising the representatives of the eight member countries approved on 24 January 2023 the key parameters for the settlement of mutual claims and liabilities with the withdrawing countries, which will form the basis for bilateral agreements between IBEC and the governments of each of the withdrawing countries on the final settlement of mutual claims and liabilities and which provide for gradual repayment of contributions made by these countries to the Bank's paid-in capital up to 2042. The shareholders identified maintaining the financial stability of the Bank as a key objective of the settlement scenario.

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(EUR thousand)

1. Principal activities of the Bank (continued)

As at 30 June 2023, no bilateral agreements were signed with the countries that withdrew from the Agreement Concerning the Organization and Activities of IBEC in the first half of 2023 (drafts of such bilateral agreements were sent to all countries involved), and there was no reduction in IBEC's paid-in capital. The allocation of IBEC member countries' shares in the paid-in share capital of the Bank as at 30 June 2023 is provided below:

	30 June 2023 (unaudited)	***%***
Member countries of the Bank	**121,726**	**60.86**
Russian Federation	103,179	51.59
Republic of Bulgaria	15,121	7.56
Mongolia	2,668	1.33
Socialist Republic of Vietnam	758	0.38
Withdrawing countries	**78,274**	**39.14**
Czech Republic	26,684	13.34
Republic of Poland	24,016	12.01
Romania	14,232	7.12
Slovak Republic	13,342	6.67
Total	**200,000**	**100**

The allocation of IBEC member countries' shares in the paid-in share capital of the Bank as at 31 December 2022 is provided below:

	31 December 2022	***%***
Russian Federation	103,179	51.59
Czech Republic	26,684	13.34
Republic of Poland	24,016	12.01
Republic of Bulgaria	15,121	7.56
Romania	14,232	7.12
Slovak Republic	13,342	6.67
Mongolia	2,668	1.33
Socialist Republic of Vietnam	758	0.38
Total	**200,000**	**100**

Owing to the supranational status of the Bank, the restrictive measures imposed by the Council of the European Union, the USA, Australia, the United Kingdom of Great Britain and Northern Ireland, Canada, Japan, the Swiss Confederation and others on the Russian Federation do not extend to IBEC's financial transactions in Russia and abroad.

Separate Decree No. 738 of the President of the Russian Federation of 15 October 2022 confirmed the international status of the Bank and full exemption granted to IBEC from the effects of restrictive counter-sanctions.

On 6 March 2023, Analytical Credit Rating Agency (ACRA) confirmed the credit rating of IBEC at AAA(RU) under the national scale for the Russian Federation, with a stable outlook. IBEC's international credit rating downgraded from A- (negative outlook) to BBB+ (stable outlook).

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(EUR thousand)

1. Principal activities of the Bank (continued)

During the first six months of 2023, the Bank implemented a number of significant measures for the development of the Bank's operations, expansion of its partner network and enhancement of the IBEC brand recognition across the business community:

- As part of a Russian-Slovak project funded by IBEC, an incubator was launched in the Republic of Tatarstan on 10 January 2023. The EUR 3 million investment project was approved and supported by the Tatarstan Ministry of Agriculture and Food;
- In May 2023, an IBEC delegation led by the Chairman of the Bank's Board visited the Embassy of the Socialist Republic of Vietnam in the Russian Federation to meet His Excellency Ambassador Extraordinary and Plenipotentiary Mr. Dang Minh Khoi and representatives of the Embassy. The talks touched upon a range of technical issues relevant to the potential development of economic relations among IBEC member countries;
- In June, a 10-year Series 002P-01 RUB 1.7 billion bond issue puttable in 3 years was launched on the Moscow Exchange. In addition, the Bank has attracted corporate deposits for a total of approximately RUB 2.2 billion since the beginning of the year;
- In June, IBEC carried out its first ever trade finance transaction denominated in Chinese yuans – the CNY 9.5 million (approx. EUR 1.2 million) 1-year special-purpose trade credit was extended to a Mongolian bank to fund passenger car purchases.

2. Operating environment of the Bank

Economic growth

After a slowdown in 2022, the global economic activity has stabilized and started to show signs of improvement in the first half of 2023.

The rebound in the global economy was mainly a result of an upward trend in the services sector that continued to recover after a substantial decline during the pandemic. At the same time, the manufacturing sector saw a weaker growth rate, putting pressure on international trade volumes and commodity prices.

In February 2023, global composite PMI surpassed the threshold of 50 points (for the first time since July 2022) and continued to grow steadily to 54.4 points in May 2023, primarily owing to the services sector. The gap between growth rates in the services and manufacturing sectors continued to widen. The weak performance of the manufacturing sector was likely attributable to its higher sensitivity to increases in the cost of debt. It should be noted, however, that the strong results of the services sector are largely attributable to the low base effect, so it cannot be assumed with confidence that the global economy is on a sustainable growth path.

Overall, the global economy is not expected to return to pre-COVID growth rates (3.8% on average in 2000-2019) in the medium term. The current forecast is that in 2023, global GDP growth rates will continue to slow down to 2.6%[1] (versus 3.4%[2] in 2022). While the economic growth potential will likely be constrained by a harsh financial climate and geopolitical tensions, the existing risks are not expected to have a serious impact on the global financial stability.

Dynamics of real GDP, change in %

	2022	***Average growth rate in 2018-2022***	***2023 (forecast)***
Global GDP	3.4	2.7	2.6
IBEC member countries			
Republic of Bulgaria	3.4	2.8	1.2
Socialist Republic of Vietnam	8.0	5.7	5.5
Mongolia	4.8	3.1	4.8
Russian Federation	(2.1)	1.2	0.7

Source: actuals for 2018-2022 – IMF WEO Data: April 2023 Edition; forecast data – IBEC consensus forecast.

[1] *IBEC's consensus forecast (here and below).*

[2] *IMF, World Economic Outlook, April 2023.*

(EUR thousand)

2. Operating environment of the Bank (continued)

Global trade

Since September 2022, the volume of global trade in goods has been on a downward trend, which has continued into the first half of 2023. Trade in services remains the main driver of growth in global trade.

In 2023, a further slowdown in trade is anticipated despite the recovery in the services sector. The current forecast is that in 2023, the global trade growth rate will be only 2.3% (versus 5.1%[3] in 2022). The growth is forecast to be better than in 2019 when new barriers were placed on international trade, or in 2020 when the COVID-19 crisis struck, but still far below the historical average (4.9% in 2000-2019).

Financial conditions

The decline in global energy and food prices has slightly eased inflationary pressure. Core inflation, however, remained stubbornly high at the beginning of 2023, causing global financial conditions to tighten further, with many central banks, including the Fed and the ECB, continuing to raise their rates in early 2023 or keeping them at the same level.

The first negative side effects of tightening financial conditions in the US and European banking sector emerged in March amid mounting concerns that a domino effect would disrupt the financial stability worldwide. However, the banking sector managed to withstand the financial shocks without sparking panic in the financial markets.

Inflationary pressure is easing, but at a slower pace than expected. The current forecast is that global inflation will fall in 2023 to 6.4% (from 8.7%[4] reported in 2022), but will still remain above the pre-pandemic levels (3.2% in 2015-2019).

Consumer price index, change in %

	2022	*Average growth rate in 2018-2022*	*2023 (forecast)*
Republic of Bulgaria	13.0	4.4	9.2
Socialist Republic of Vietnam	3.2	2.9	4.7
Mongolia	15.2	8.1	10.1
Russian Federation	13.8	6.2	5.5

Source: actuals for 2018-2022 – IMF WEO Data: April 2023 Edition; forecast data – IBEC consensus forecast.

While central banks in many advanced economies have slowed the pace of raising their interest rates, they also highlight the need to maintain higher rates for a longer period of time until core inflation shows convincing signs of sustainable slowdown. As core inflation declines slowly, key rates are likely to remain high throughout 2023.

Market liquidity is likely to continue to weaken in 2023 on the back of tighter financial conditions and shrinking balance sheets of central banks (quantitative tightening).

Impact of the economic environment on IBEC activities

Starting February 2022, increased geopolitical tensions negatively affected the economy of the country where the Bank is located. The European Union, the United States, and several other countries have imposed new sanctions against certain Russian state-owned organizations, commercial entities, including banks, individuals and certain sectors of the economy, as well as restrictions on certain types of transactions. Some global companies announced that they either suspend their operations in Russia or stop delivering their products to the country. This resulted in increased volatility in stock and currency markets. In March 2022, the Russian Federation introduced temporary restrictive economic counter measures.

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[3] *IMF, World Economic Outlook, April 2023.*

[4] *IMF, World Economic Outlook, April 2023.*

(EUR thousand)

2. Operating environment of the Bank (continued)

Impact of the economic environment on IBEC activities (continued)

The negative implications of the geopolitical events on the Bank in 2022 included the following:

- Withdrawal of international ratings assigned by Fitch Ratings and Moody's following the prohibition of the European regulator on the work of rating agencies with entities located in the Russian Federation;
- Difficulties related to receiving funds from borrowers to redeem their debts to IBEC due to tougher compliance procedures of partner banks and extended terms of payments;
- A forced termination of a significant part of transactions in the Bank's portfolio in 2022, resulting in a threat to liquidity, which the Bank managed to mitigate and prevent by the end of first half 2022 by creating and further maintaining a respective liquidity cushion;
- Recognition of significant losses resulting from liquidity gap prevention measures (sales of loans and securities), additional allowances for expected credit losses, recognition of a negative financial result from early termination of derivative transactions, including those for hedging purposes, and from the open currency position, which was significantly reduced by the end of the first half of 2023.

The geopolitical events that started in 2022 continued to have an impact on the Bank's operations in the first half of 2023.

IBEC continued to provide all necessary clarifications on the Bank's supranational status required for the restrictions to be dropped.

IBEC increased the number of correspondent accounts used for settlements with counterparties, thus vastly improving its own settlement infrastructure. In April-May 2023, correspondent accounts were opened:

- In TRY, EUR, RUB and USD – to support settlements of IBEC member countries;
- In UZS, RUB and USD – to support settlements with Uzbek counterparties;
- In AMD, AED, CNY, RUB, USD and EUR – in the Bank of Armenia.

The Bank successfully entered into foreign exchange transactions in KZT, AMD, TRY and UZS on MICEX to deliver client and treasury payments.

Besides raising short-term funds from credit institutions, IBEC went on diversifying its funding sources in 2023 via a new issue of securities and attraction of corporate deposits.

Accumulation of liquid funds (including those received in repayment of loans from counterparties in countries that withdrew from the Agreement on the Organization and Activities of IBEC) on correspondent accounts allows IBEC to ensure servicing of its current liabilities and obligations in the foreseeable future.

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(EUR thousand)

3. Basis of preparation of the interim condensed financial statements and significant accounting policies

These interim condensed financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed financial statements do not include all the information and data to be disclosed in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2022.

Certain notes were included to explain events and operations that are significant for the understanding of changes in the Bank's financial position and performance, which have occurred since the date of the last annual financial statements.

The Bank has no subsidiaries or associates, and the interim condensed financial statements have therefore been prepared on a standalone basis.

The euro is the functional and presentation currency of the Bank's interim condensed financial statements. All amounts in the interim condensed financial statements are rounded to the nearest thousand euro.

The interim condensed financial statements are prepared on a going concern basis. Using this assumption, the Bank's Board considers the current intentions, the profitability of operations and available financial resources.

The interim condensed financial statements have been prepared under the historical cost convention, except for securities at fair value through profit or loss, securities at fair value through other comprehensive income, derivative financial instruments at fair value and a building recorded at a revalued amount.

Significant accounting estimates and professional judgments

In preparing these interim condensed financial statements, management used professional judgments, assumptions and estimates affecting the application of the accounting policies and the amounts of assets and liabilities, income and expenses presented in the interim condensed financial statements. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to estimates are recognized in the reporting period in which the estimates are revised and in any future periods affected.

To the extent that information was available as at 30 June 2023, the Bank recorded revised estimates of expected future cash flows in its measurement of expected credit losses (Note 22) and fair value measurement of financial instruments (Note 25).

Key significant accounting estimates and judgments used in applying accounting policies are disclosed in the financial statements for the year ended 31 December 2022. Management did not identify any areas where new accounting estimates or judgments could be applied.

Changes in accounting policies

The accounting policies and calculation methods used in the preparation of these interim condensed financial statements are consistent with those used and described in the Bank's annual financial statements for the year ended 31 December 2022 in Summary of significant accounting policies, except for the new standards below that have been applied since 1 January 2023. The nature and effect of these changes are disclosed below. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Bank adopted several amendments that have become effective since 1 January 2023, but they do not have any effect on the interim condensed financial statements of the Bank.

(EUR thousand)

4. Adoption of new or revised standards, interpretations and reclassifications

The new standards, amendments and interpretations that became effective on 1 January 2023 are disclosed below.

IFRS 17, amendments to IAS 12, IAS 8, IAS 1 and IFRS Practice Statement 2 have no impact on the interim condensed financial statements of the Bank.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* (IFRS 17) is a comprehensive new financial reporting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 has replaced IFRS 4 *Insurance Contracts* and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

Amendments to IAS 12 Income Taxes

In May 2021, the IASB issued amendments which narrow the scope of the initial recognition exemption under IAS 12 *Income Taxes*, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The exemption applies only if the recognition of a lease asset and a lease liability (or a decommissioning liability and the corresponding amounts of the related asset) does not give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. At the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available in the future) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

(EUR thousand)

4. Adoption of new or revised standards, interpretations and reclassifications

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023, however, the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, and an effective date for these amendments is not necessary.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2023 (unaudited)	***31 December 2022***
Correspondent accounts with banks in IBEC member countries	47,479	73,727
Correspondent accounts with banks in other countries	12,280	9,339
Cash on brokerage accounts with non-bank financial institutions in IBEC member countries	5,035	–
Cash on hand	2,359	2,557
Correspondent accounts with international financial institutions	–	2,866
Total cash and cash equivalents	**67,153**	**88,489**
Allowance for expected credit losses	(68)	(28)
Cash and cash equivalents less allowance for expected credit losses	**67,085**	**88,461**

As at 30 June 2023, balances due to three major groups of counterparties amounted to EUR 38,900 thousand, or 57.99% of total cash and cash equivalents (31 December 2022: balances due to three major groups of counterparties amounted to EUR 76,047 thousand, or 85.97% of total cash and cash equivalents).

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(EUR thousand)

5. Cash and cash equivalents (continued)

The table below shows an analysis of cash and cash equivalents (other than cash on hand) by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available):

Cash and cash equivalents (other than cash on hand)	***30 June 2023 (unaudited)***	***31 December 2022***
Due from central banks	677	11,612
Correspondent and brokerage accounts		
Internationally rated		
from AAA to A-	*1,819*	*8*
from BBB+ to BB-	*683*	*38,018*
from B+ to B-	*3,920*	*382*
from CCC+ to C	*10,240*	*–*
Internally rated only		
from BBB+ to BB-	*3*	*45*
from CCC+ to C	*47,447*	*35,863*
unrated	*5*	*4*
Total	**64,794**	**85,932**
Allowance for expected credit losses	(68)	(28)
Carrying amount	**64,726**	**85,904**

For the credit quality and interest rate risk of cash and cash equivalents, please refer to Note 24.

6. Securities at fair value through profit or loss

Securities at fair value through profit or loss comprise:

	30 June 2023 (unaudited)	***31 December 2022***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	2,196	2,078
from BBB+ to BB-	*2,196*	*2,078*
Internally rated only		
Eurobonds of IBEC member countries	3,533	3,958
from CCC+ to C	*3,533*	*3,958*
Corporate bonds	*716*	*739*
from CCC+ to C	*716*	*739*
	6,445	**6,775**
Securities at fair value through profit or loss	**6,445**	**6,775**

For the interest rate risk of securities at fair value through profit or loss, please refer to Note 24.

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(EUR thousand)

7. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income comprise:

	30 June 2023 (unaudited)	*31 December 2022*
Held by the Bank		
Internationally rated		
Corporate Eurobonds	17,192	13,688
from BBB+ to BB-	*10,505*	*8,410*
from B+ to B-	*6,687*	*5,278*
Eurobonds of other countries	3,718	–
from BBB+ to BB-	*3,718*	–
Eurobonds of IBEC member countries	2,781	3,708
from BBB+ to BB-	*2,781*	*3,708*
Eurobonds of international financial institutions	2,361	1,339
from AAA to A-	*859*	–
from BBB+ to BB-	*1,502*	*1,339*
Bonds of banks	1,487	–
from AAA to A-	*1,487*	–
Eurobonds of banks	280	–
from AAA to A-	*280*	–
Internally rated only		
Corporate bonds	42,382	5,304
from CCC+ to C	*42,382*	*5,304*
Corporate Eurobonds	18,670	21,485
from CCC+ to C	*18,670*	*21,485*
Bonds of IBEC member countries	4,608	6,001
from CCC+ to C	*4,608*	*6,001*
Eurobonds of IBEC member countries	4,319	4,838
from CCC+ to C	*4,319*	*4,838*
Eurobonds of banks	3,587	1,271
from CCC+ to C	*3,587*	*1,271*
	101,385	**57,634**
Pledged under repurchase agreements		
Internationally rated		
Corporate Eurobonds	–	4,208
from BBB+ to BB-	–	*4,208*
Eurobonds of IBEC member countries	–	3,189
from BBB+ to BB-	–	*3,189*
Bonds of banks	–	1,447
from AAA to A-	–	*1,447*
Eurobonds of international financial institutions	–	1,318
from AAA to A-	–	*1,318*
Eurobonds of banks	–	278
from AAA to A-	–	*278*
	–	**10,440**
Securities at fair value through other comprehensive income	**101,385**	**68,074**

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(EUR thousand)

7. Securities at fair value through other comprehensive income (continued)

An analysis of changes in the gross carrying amount and changes in the allowance for expected credit losses from securities at fair value through other comprehensive income is presented below:

Securities at fair value through other comprehensive income	***Stage 1***	***Stage 2***	***Total***
Gross carrying amount at 1 January 2023	**32,538**	**35,536**	**68,074**
New originated or purchased assets	42,360	1,215	**43,575**
Transfer to Stage 1	1,679	(1,679)	**–**
Change in fair value	2,252	5,453	**7,705**
Assets derecognized or redeemed (excluding write-offs)	(10,586)	(3,400)	**(13,986)**
Changes in currency exchange rates	(1,290)	(2,693)	**(3,983)**
Gross carrying amount at 30 June 2023 (unaudited)	**66,953**	**34,432**	**101,385**
Allowance for expected credit losses at 1 January 2023	**1,956**	**6,977**	**8,933**
New originated or purchased assets	9,735	–	**9,735**
Assets derecognized or redeemed (excluding write-offs)	(1,289)	(472)	**(1,761)**
Changes in models and inputs used for ECL calculations	1,229	(131)	**1,098**
Changes in currency exchange rates	(247)	(580)	**(827)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**11,384**	**5,794**	**17,178**
Gross carrying amount at 1 January 2022	**193,875**	**6,820**	**200,695**
New originated or purchased assets	45,104	231	**45,335**
Transfer to Stage 2	(38,713)	38,713	**–**
Change in fair value	(25,306)	(1,697)	**(27,003)**
Assets derecognized or redeemed (excluding write-offs)	(150,320)	–	**(150,320)**
Changes in currency exchange rates	7,040	–	**7,040**
Gross carrying amount at 30 June 2022 (unaudited)	**31,680**	**44,067**	**75,747**
Allowance for expected credit losses at 1 January 2022	**788**	**478**	**1,266**
New originated or purchased assets	59	–	**59**
Transfer to Stage 2	(12,163)	12,163	**–**
Assets derecognized or redeemed (excluding write-offs)	(700)	–	**(700)**
Changes in models and inputs used for ECL calculations	10,058	(185)	**9,873**
Changes in currency exchange rates	2,041	–	**2,041**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**83**	**12,456**	**12,539**

Corporate bonds denominated in Russian rubles, US dollars, euros and Chinese yuans (31 December 2022: in Russian rubles, US dollars and euros) were issued by financial and industrial entities of IBEC member countries for circulation on internal markets of the issuing countries and for trade on exchange markets. Corporate bonds mature from April 2025 to May 2033 (31 December 2022: from October 2028 to November 2028), and coupon rates range from 1.5% to 13.05% p.a. (31 December 2022: from 1.85% to 3.375% p.a.).

Corporate Eurobonds are debt securities denominated in euros, US dollars and Russian rubles and issued by financial and industrial entities of IBEC member countries and other countries for circulation on markets external to the issuer and for trade on exchange markets. Corporate Eurobonds mature from July 2024 to January 2030 (31 December 2022: from June 2023 to February 2030), and coupon rates range from 0.45% to 6.75% p.a. (31 December 2022: from 0.45% to 6.75% p.a.).

(EUR thousand)

7. Securities at fair value through other comprehensive income (continued)

Eurobonds of IBEC member countries are denominated in euros and intended for circulation on markets external to the issuing country and for trade in over-the-counter markets. Eurobonds mature from November 2027 to September 2050 (31 December 2022: from November 2027 to September 2050), and coupon rates range from 1.125% to 1.375% p.a. (31 December 2022: from 1.125% to 2.625% p.a.).

Bonds of IBEC member countries are denominated in Russian rubles for circulation on internal and exchange markets of the issuing countries and for trade on over-the-counter markets, mature from September 2031 to March 2039 (31 December 2022: from September 2031 to March 2039) and coupon rates range from 7.7% to 8.5% p.a. (31 December 2022: from 7.7% to 8.5% p.a.).

Eurobonds of banks comprise debt securities denominated in euros and US dollars and intended for circulation on markets external to the issuer. Eurobonds of banks mature from January 2026 to October 2028 (31 December 2022: from January 2026 to October 2028), and coupon rates range from 0.375% to 3.875% p.a. (31 December 2022: from 0.375% to 3.875% p.a.).

As at 30 June 2023, Eurobonds of other countries are denominated in euros, traded on exchange markets external to the issuing country, mature in December 2040 and bear a coupon rate of 2.625% p.a. As at 31 December 2022, the Bank did not have Eurobonds of other countries.

Eurobonds of international financial institutions are denominated in euros and are traded on exchange markets external to the issuing country. Eurobonds mature from November 2023 to March 2026 (31 December 2022: from November 2023 to March 2026), and coupon rates range from 0.5% to 1% p.a. (31 December 2022: from 0% to 1% p.a.).

Bonds of banks are debt securities denominated in euros for circulation on domestic markets of the issuer. Bonds of banks mature in April 2028 (31 December 2022: April 2028), and the coupon rate is 0.5% p.a. (31 December 2022: 0.5% p.a.).

Securities at fair value through other comprehensive income comprise securities pledged as collateral under repurchase agreements. According to these agreements, the counterparty shall return securities transferred under them when the agreements expire (Note 14).

As at 31 December 2022, securities at fair value through other comprehensive income comprise securities pledged as collateral under repurchase agreements with a fair value of EUR 10,440 thousand (Note 14).

For the credit quality and interest rate risk of securities at fair value through other comprehensive income, please refer to Note 24.

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(EUR thousand)

8. Securities at amortized cost

Securities at amortized cost comprise:

	30 June 2023 (unaudited)	***31 December 2022***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	12,436	6,717
from BBB+ to BB-	*8,653*	*2,837*
from B+ to B-	*3,783*	*3,880*
Eurobonds of banks	4,644	4,782
from B+ to B-	*4,644*	*4,782*
Internally rated only		
Corporate Eurobonds	9,704	9,877
from CCC+ to C	*9,704*	*9,877*
Corporate bonds	5,171	3,010
from CCC+ to C	*5,171*	*3,010*
Eurobonds of banks	–	12,419
from CCC+ to C	–	*12,419*
	31,955	**36,805**
Pledged under repurchase agreements		
Internationally rated		
Corporate Eurobonds	–	10,907
from BBB+ to BB-	–	*10,907*
	–	**10,907**
Total securities at amortized cost	**31,955**	**47,712**
Allowance for expected credit losses	(2,816)	(2,608)
Securities at amortized cost	**29,139**	**45,104**

Corporate Eurobonds and bonds are debt securities issued in euros, US dollars and Russian rubles by financial and industrial entities in IBEC member countries for circulation on markets internal and external to the issuer and for trade on over-the-counter and exchange markets. Eurobonds mature from June 2024 to July 2028 (31 December 2022: from June 2024 to July 2028), and coupon rates range from 2.2% to 8.5% p.a. (31 December 2022: from 2.2% to 8.5% p.a.). Corporate bonds mature from November 2024 to February 2026 (31 December 2022: November 2024), and coupon rates range from 2.25% to 12.40% p.a. (31 December 2022: 2.25% p.a.).

Eurobonds of banks comprise debt securities issued in US dollars (31 December 2022: in euros and US dollars) for circulation on markets external to the issuer with a maturity in October 2023 (31 December 2022: from February 2023 to October 2023) and the coupon rate is 7.25% p.a. (31 December 2022: from 4.032% to 7.25% p.a.).

During the six months ended 30 June 2023, the Bank sold securities at amortized cost with a nominal value of EUR 5,000 thousand. The negative result of EUR 250 thousand was recognized in the interim statement of profit or loss and other comprehensive income within net losses from operations with securities at amortized cost.

During the six months ended 30 June 2022, the Bank sold 44.33% of securities at amortized cost based on liquidation netting in the process of closing repurchase transactions. The negative result of EUR 2,438 thousand was recognized in the interim statement of profit or loss and other comprehensive income within net losses from operations with securities at amortized cost. During the six months ended 30 June 2023, there were no liquidation netting transactions.

Securities at amortized cost comprise securities pledged as collateral under repurchase agreements. According to these agreements, the counterparty shall return securities transferred under them when the agreements expire (Note 14).

As at 31 December 2022, securities at amortized cost comprise securities pledged as collateral under repurchase agreements with an amortized cost of EUR 10,835 thousand (Note 14).

(EUR thousand)

8. Securities at amortized cost (continued)

An analysis of changes in the gross carrying amount and changes in the allowance for expected credit losses from securities at amortized cost is presented below:

Securities at amortized cost	*Stage 1*	*Stage 2*	*Total*
Gross carrying amount at 1 January 2023	**25,416**	**22,296**	**47,712**
New originated or purchased assets	2,868	298	**3,166**
Assets derecognized or redeemed (excluding write-offs)	(5,589)	(12,770)	**(18,359)**
Changes in currency exchange rates	(445)	(119)	**(564)**
Gross carrying amount at 30 June 2023 (unaudited)	**22,250**	**9,705**	**31,955**
Allowance for expected credit losses at 1 January 2023	**1,117**	**1,491**	**2,608**
New originated or purchased assets	507	–	**507**
Assets derecognized or redeemed (excluding write-offs)	(33)	(16)	**(49)**
Changes in models and inputs used for ECL calculations	(121)	(65)	**(186)**
Changes in currency exchange rates	(53)	(11)	**(64)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**1,417**	**1,399**	**2,816**
Gross carrying amount at 1 January 2022	**78,425**	**–**	**78,425**
New originated or purchased assets	4,850	–	**4,850**
Transfer to Stage 2	(26,245)	26,245	**–**
Assets derecognized or redeemed (excluding write-offs)	(35,555)	–	**(35,555)**
Changes in currency exchange rates	1,362	–	**1,362**
Gross carrying amount at 30 June 2022 (unaudited)	**22,837**	**26,245**	**49,082**
Allowance for expected credit losses at 1 January 2022	**791**	**–**	**791**
New originated or purchased assets	26	–	**26**
Transfer to Stage 2	(2,468)	2,468	**–**
Assets derecognized or redeemed (excluding write-offs)	(398)	–	**(398)**
Changes in models and inputs used for ECL calculations	2,281	–	**2,281**
Changes in currency exchange rates	60	–	**60**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**292**	**2,468**	**2,760**

The Bank makes investments in the debt securities of companies from the countries, which are members of the Bank at the moment of the investment, acquired at initial placement by the issuers. The Bank treats securities purchased at initial placement as a credit investment activity, i.e. as a form of participation in financing socially important infrastructure projects in the member countries of the Bank at the moment of the investment, as well as support to small and medium business. In the table below, such securities are presented within the credit investment portfolio of securities.

	30 June 2023 (unaudited)	*31 December 2022*
Securities purchased on capital markets	10,608	22,807
Credit investment portfolio of securities	18,531	22,297
Securities at amortized cost	**29,139**	**45,104**

For the credit quality and interest rate risk of securities at amortized cost, please refer to Note 24.

(EUR thousand)

9. Loans and deposits to banks

Loans and deposits to banks comprise:

	30 June 2023 (unaudited)	*31 December 2022*
Term deposits with banks in IBEC member countries	45,335	48,227
Loans issued to banks under trade financing	16,507	14,225
Term deposits with banks in other countries	2,746	1,732
Syndicated loans	–	9,531
Total loans and deposits to banks	**64,588**	**73,715**
Allowance for expected credit losses	(950)	(10,453)
Loans and deposits to banks	**63,638**	**63,262**

As at 30 June 2023, balances due to three major counterparties amounted to EUR 38,480 thousand, or 60.47% of total loans and deposits to banks (31 December 2022: EUR 28,694 thousand, or 45.36% of total loans and deposits to banks).

The table below shows an analysis of loans and deposits to banks by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available):

Loans and deposits to banks	*30 June 2023 (unaudited)*	*31 December 2022*
Internationally rated		
from AAA to A-	*1,693*	*1,731*
from BBB+ to BB-	*19,230*	*9,531*
from B+ to B-	*8,076*	*33,376*
from CCC+ to C	*1,053*	–
Internally rated only		
from B+ to B-	–	*384*
from CCC+ to C	*34,536*	*28,693*
Total	**64,588**	**73,715**
Allowance for expected credit losses	(950)	(10,453)
Carrying amount	**63,638**	**63,262**

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(EUR thousand)

9. Loans and deposits to banks (continued)

An analysis of changes in the gross carrying amount and changes in the allowance for expected credit losses from loans and deposits to banks is presented below:

Loans and deposits to banks	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2023	**62,178**	**2,006**	**9,531**	**73,715**
New originated or purchased assets	372,360	10,124	–	**382,484**
Assets derecognized or redeemed (excluding write-offs)	(371,866)	(7,340)	(9,294)	**(388,500)**
Changes in currency exchange rates	(1,704)	(1,170)	(237)	**(3,111)**
Gross carrying amount at 30 June 2023 (unaudited)	**60,968**	**3,620**	**–**	**64,588**
Allowance for expected credit losses at 1 January 2023	**344**	**578**	**9,531**	**10,453**
New originated or purchased assets	1,777	3	–	**1,780**
Assets derecognized or redeemed (excluding write-offs)	(1,764)	–	(9,294)	**(11,058)**
Changes in models and inputs used for ECL calculations	39	8	–	**47**
Changes in currency exchange rates	(12)	(23)	(237)	**(272)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**384**	**566**	**–**	**950**
Gross carrying amount at 1 January 2022	**176,472**	**–**	**–**	**176,472**
New originated or purchased assets	20,672	–	–	**20,672**
Transfer to Stage 2	(6,199)	6,199	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(126,551)	–	–	**(126,551)**
Changes in currency exchange rates	7,022	–	–	**7,022**
Gross carrying amount at 30 June 2022 (unaudited)	**71,416**	**6,199**	**–**	**77,615**
Allowance for expected credit losses at 1 January 2022	**876**	**–**	**–**	**876**
New originated or purchased assets	148	–	–	**148**
Transfer to Stage 2	(184)	184	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(7,594)	–	–	**(7,594)**
Changes in models and inputs used for ECL calculations	6,712	–	–	**6,712**
Changes in currency exchange rates	390	–	–	**390**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**348**	**184**	**–**	**532**

As at 30 June 2023, the syndicated loan in the amount of EUR 9,531 thousand, which had been previously transferred to Stage 3, was repaid.

For the credit quality and interest rate risk of loans and deposits to banks, please refer to Note 24.

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(EUR thousand)

10. Loans to corporate customers

Loans to corporate customers comprise:

	30 June 2023 (unaudited)	*31 December 2022*
Loans issued to legal entities from IBEC member countries	56,190	68,556
Loans for foreign trade purposes issued to legal entities from IBEC member countries	38,549	40,083
Syndicated loans issued to legal entities from IBEC member countries	14,009	29,839
Loans issued to legal entities from other countries	11,269	–
Loans for foreign trade purposes issued to legal entities from other countries	521	–
Syndicated loans issued to legal entities from other countries	–	19
Total loans to corporate customers	**120,538**	**138,497**
Allowance for expected credit losses	(10,044)	(10,808)
Loans to corporate customers less allowance for expected credit losses	**110,494**	**127,689**

Loans are issued to corporate customers operating in the following industry sectors:

	30 June 2023 (unaudited)		*31 December 2022*	
	Amount	***%***	***Amount***	***%***
Transport	45,115	40.83	46,965	36.78
Chemical industry	18,003	16.29	10,088	7.90
Finance	15,903	14.39	32,624	25.55
Gas industry	13,987	12.66	15,575	12.20
Logistics	13,393	12.12	14,748	11.55
Investment activities (leases)	3,533	3.20	7,038	5.51
Construction	560	0.51	586	0.46
Other	–	–	65	0.05
Total loans to corporate customers	**110,494**	**100**	**127,689**	**100**

As at 30 June 2023, the balance due to three major groups of counterparties amounted to EUR 69,131 thousand, or 62.57% of the Bank's total loan portfolio less allowance for expected credit losses (31 December 2022: EUR 68,377 thousand, or 53.55% of the Bank's total loan portfolio less allowance for expected credit losses).

Loans are issued to customers operating in the following countries:

	30 June 2023 (unaudited)	*31 December 2022*
Mongolia	37,141	38,054
Republic of Bulgaria	28,205	32,347
Russian Federation	21,536	17,126
Socialist Republic of Vietnam	13,393	28,982
Republic of Poland	7,974	8,911
Romania	1,685	1,617
Slovak Republic	560	587
Czech Republic	–	65
Total	**110,494**	**127,689**

(EUR thousand)

10. Loans to corporate customers (continued)

The table below shows an analysis of loans to corporate customers by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available):

Loans to corporate customers	***30 June 2023 (unaudited)***	***31 December 2022***
Internationally rated		
from BBB+ to BB-	*–*	*19*
from B+ to B-	*10,094*	*12,132*
Internally rated only		
from BBB+ to BB-	*15,694*	*46,374*
from B+ to B-	*52,163*	*39,562*
from CCC+ to C	*42,587*	*40,410*
Total	**120,538**	**138,497**
Allowance for expected credit losses	(10,044)	(10,808)
Carrying amount	**110,494**	**127,689**

An analysis of changes in the gross carrying amount and changes in the allowance for expected credit losses from loans to corporate customers is presented below:

Loans to corporate customers	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2023	**116,340**	**21,618**	**539**	**138,497**
New originated or purchased assets	18,263	592	–	**18,855**
Assets derecognized or redeemed (excluding write-offs)	(25,278)	(6,377)	(19)	**(31,674)**
Changes in currency exchange rates	(4,039)	(1,102)	1	**(5,140)**
Gross carrying amount at 30 June 2023 (unaudited)	**105,286**	**14,731**	**521**	**120,538**
Allowance for expected credit losses at 1 January 2023	**5,251**	**5,018**	**539**	**10,808**
New originated or purchased assets	4,119	102	–	**4,221**
Assets derecognized or redeemed (excluding write-offs)	(864)	(1,134)	(19)	**(2,017)**
Changes in models and inputs used for ECL calculations	(873)	(894)	–	**(1,767)**
Changes in currency exchange rates	(774)	(428)	1	**(1,201)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**6,859**	**2,664**	**521**	**10,044**

(continued on the next page)

(EUR thousand)

10. Loans to corporate customers (continued)

Loans to corporate customers	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2022	**190,428**	**10,256**	**8,301**	**208,985**
New originated or purchased assets	36,698	98	208	**37,004**
Transfer to Stage 2	(30,855)	30,855	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(84,873)	(5,531)	–	**(90,404)**
Assets sold	–	(4,759)	–	**(4,759)**
Changes in currency exchange rates	10,730	(64)	647	**11,313**
Gross carrying amount at 30 June 2022 (unaudited)	**122,128**	**30,855**	**9,156**	**162,139**
Allowance for expected credit losses at 1 January 2022	**1,643**	**863**	**2,498**	**5,004**
New originated or purchased assets	630	–	140	**770**
Transfer to Stage 2	(7,895)	7,895	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(11,668)	(798)	–	**(12,466)**
Changes in models and inputs used for ECL calculations	14,067	–	2,838	**16,905**
Assets sold	–	(55)	–	**(55)**
Changes in currency exchange rates	4,419	(10)	364	**4,773**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**1,196**	**7,895**	**5,840**	**14,931**

During the six months ended 30 June 2022, the Bank sold to an unrelated party the loan debt in the amount of EUR 4,759 thousand. The selling price was EUR 4,477 thousand. The loss of EUR 227 thousand from the sale considering the write-off of the previously charged allowance for expected credit loss is recorded in the interim statement of profit or loss and other comprehensive income within other banking expenses.

During the six months ended 30 June 2022, there was an early repaid loan with a discount of EUR 2,880 thousand, which was recognized in the interim statement of profit or loss and other comprehensive income within net losses from operations with loans at amortized cost.

Collateral and other credit enhancements

In accordance with its internal rules and procedures, the Bank accepts the following types of collateral from its borrowers:

- Guarantees from governments and subjects of IBEC member countries
- Bank guarantees
- Third-party guarantees
- Commercial property
- Liquid equipment of enterprises, which is widely used, and equipment which may be considered unique in exceptional circumstances
- Government securities and highly liquid corporate securities

When the Bank provides loans, the value of assets obtained as collateral should be higher than the amount of the loan, loan interest and other payments to the Bank over the entire term of the loan as provided by international law, requirements of the legislation effective in the country where the Bank is located, business practices or the contract/agreement.

(EUR thousand)

10. Loans to corporate customers (continued)

Collateral and other credit enhancements (continued)

The principal types of collateral obtained for loans to corporate customers are:

- Pledge of real estate;
- Third-party guarantees;
- Property rights.

The Bank monitors the fair value of collateral and requests additional collateral when necessary in accordance with the underlying agreement.

Collateral obtained for loans to corporate customers comprises:

	30 June 2023 (unaudited)	***31 December 2022***
Loans secured by third-party guarantees	69,819	68,362
Loans secured by pledge of (movable) property	40,675	45,092
Unsecured loans	–	14,235
Total loans to corporate customers	**110,494**	**127,689**

The information above includes the net carrying amount of loans that was allocated on the basis of the classes of assets accepted as collateral.

During the six months ended 30 June 2023, the Bank changed conditions on issue of loans to three borrowers (31 December 2022: three borrowers) due to the geopolitical crisis in February 2022. The impact of these modifications is insignificant.

For the quality analysis and interest rate risk of the loan portfolio, please refer to Note 24.

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(EUR thousand)

11. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments recorded in the interim condensed financial statements as assets or liabilities.

	Notional principal	***Fair value***	
		Asset	***Liability***
30 June 2023 (unaudited)			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	43,490	603	1,583
Cross-currency interest rate contracts used as hedging instruments			
Derivative financial instruments (contracts with residents of IBEC member countries) used as hedging instruments	25,664	–	4,845
Total derivative assets/liabilities		**603**	**6,428**
31 December 2022			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	82,581	1,110	1,733
Interest rate contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	6,609	25	–
Cross-currency interest rate contracts used as hedging instruments			
Derivative financial instruments (contracts with residents of IBEC member countries) used as hedging instruments	25,664	–	404
Total derivative assets/liabilities		**1,135**	**2,137**

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(EUR thousand)

11. Derivative financial instruments (continued)

The fair values of receivables or payables on interest rate, foreign exchange and cross-currency interest rate swap contracts entered into by the Bank at the end of the reporting period by currency are presented in the table below. The table includes the contracts with settlement dates after the end of the respective reporting period and reflects gross positions before the netting of any counterparty positions (and payments). A significant part of transactions is represented by short-term transactions.

	30 June 2023 (unaudited)		***31 December 2022***	
	Contracts with positive fair value	***Contracts with negative fair value***	***Contracts with positive fair value***	***Contracts with negative fair value***
Foreign exchange swaps: fair value at the end of the reporting period				
- USD payable on settlement (-)	8,045	11,885	39,344	11,801
- EUR receivable on settlement (+)	20,000	12,406	64,867	16,479
- RUB payable on settlement (-)	19,449	2,104	24,413	6,411
- RUB receivable on settlement (+)	8,097	–	–	–
Interest rate swaps: fair value at the end of the reporting period				
- RUB payable on settlement (-)	–	–	6,609	–
- RUB receivable on settlement (+)	–	–	6,634	–
Cross-currency interest rate swaps used as hedging instruments: fair value at the end of the reporting period				
- EUR payable on settlement (-)	–	25,552	–	24,968
- RUB receivable on settlement (+)	–	20,707	–	24,564
Net fair value of interest rate, foreign exchange and cross-currency interest rate swaps	**603**	**(6,428)**	**1,135**	**(2,137)**

Interest rate, foreign exchange and cross-currency interest rate derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivative financial instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to these instruments. The total fair values of derivative financial instruments can fluctuate significantly from time to time.

Cash flow hedges

Cash flow hedge relationships relate to distinctly identifiable assets or liabilities, hedged by one, or a few, hedging instruments. The Bank's cash flow hedges consist of cross-currency interest rate swaps that are used to protect against exposures to variability in future interest and principal cash flows on its issued notes in rubles due to changes in interest rate and currency risks (Note 24). The hedging ratio is established by matching the notional of the derivative against the principal of the hedged item.

During the six months ended 30 June 2023 and 31 December 2022, the Bank designated the following financial liabilities as hedged items in cash flow hedge relationships:

	Cash flow hedge reserve	
Cash flow hedges	***Continuing hedges***	***Discontinued hedges***
30 June 2023 (unaudited)		
RUB-denominated bonds with a fixed interest rate	313	–
31 December 2022		
RUB-denominated bonds with a fixed interest rate	(1,148)	–

(EUR thousand)

11. Derivative financial instruments (continued)

Cash flow hedges (continued)

The corresponding line in the interim statement of financial position, where the hedged items are recorded, are debt securities issued.

To test the hedge effectiveness, the Bank compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks (interest rate and currency risks) as represented by a hypothetical derivative. The hypothetical derivative method involves establishing a notional derivative that would be the ideal hedging instrument for hedged exposures. The basis currency spread is excluded from the hedge relationship and is recognized in the interim statement of profit or loss and other comprehensive income.

Cash flow hedges may be expected to be ineffective due to mismatches in the timing and the amounts of cash flows from the hedging instrument and the hedged item as well as changes in the fair value of the derivative instrument from the date of the transaction to the date when the hedge relationship is established.

During the six months ended 30 June 2023, no swaps related to hedges were terminated early. During the six months ended 30 June 2022, swaps with two counterparties were terminated prior to maturity. The total financial result of EUR (12,777) thousand (including the disposed instruments) was recognized in the interim statement of profit or loss and other comprehensive income within net gains (losses) from operations with derivative financial instruments and foreign currency. Net gains (losses) from operations with derivative financial instruments and foreign currency recorded in the interim statement of profit or loss and other comprehensive income include, but are not limited to, derivative trading transactions in the amount of EUR 3,561 thousand (30 June 2022: EUR (2,212) thousand) and trading operations with currency in the amount of EUR 412 thousand (30 June 2022: EUR 962 thousand).

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(EUR thousand)

11. Derivative financial instruments (continued)

Cash flow hedges (continued)

The table below sets out the outcome of the Bank's hedging strategy, in particular, the notional and carrying amounts of derivatives the Bank uses as hedging instruments and their changes in fair value used for measuring hedge effectiveness separately showing the effective and ineffective portions:

					Changes in the fair values of hedging instruments used for measuring hedge ineffectiveness					
		Carrying amount			*Effective portion*		*Hedge ineffectiveness*	*Reclassified to profit or loss in*		
Cash flow hedges	*Notional principal*	*Assets*	*Liabilities*	*Total*	*Recognized in other comprehensive income (cash flow hedge reserve net of basis currency spread)*	*Recognized in other comprehensive income (basis currency spread)*	*Recognized in the interim statement of profit or loss within net gains (losses) from operations with derivative financial instruments and foreign currency*	*Interest income (expense) calculated using the EIR method*	*Net gains (losses) from operations with derivative financial instruments and foreign currency*	*Net gains (losses) from operations with derivative financial instruments and foreign currency*
30 June 2023 (unaudited)										
Cross-currency interest rate swaps	25,664	–	4,845	(3,926)	(4,170)	677	(433)	549	(5,445)	(58)
31 December 2022										
Cross-currency interest rate swaps	25,664	–	404	60,027	59,847	(146)	326	6,023	48,283	1,046

The cumulative amount of the change in the fair value of the hedged item amounted to EUR 49,306 thousand as at 30 June 2023 (31 December 2022: EUR 53,474 thousand). The cumulative amount of the change in the fair value of the hedging instrument, excluding basis currency spread, from the moment the hedge began, amounted to EUR (3,371) thousand as at 30 June 2023 (31 December 2022: EUR (1,313) thousand). During the six months ended 30 June 2023 and 30 June 2022, the effective portion of hedging relationships recognized in other comprehensive income (cash flow hedge reserve, excluding basis currency spread) was adjusted to the smaller of the two amounts.

(EUR thousand)

11. Derivative financial instruments (continued)

Cash flow hedges (continued)

The table below provides maturities and interest rates of derivative financial instruments used by the Bank as cash flow hedging instruments:

Cash flow hedges	***12 months to 5 years***	***Total***
30 June 2023 (unaudited)		
Cross-currency interest rate swaps		
Notional principal	25,664	**25,664**
Average fixed interest rate, EUR	1.41%	**1.41%**
Average fixed interest rate, RUB	6.2%	**6.2%**
Average EUR/RUB exchange rate	0.0105	**0.0105**
31 December 2022		
Cross-currency interest rate swaps		
Notional principal	25,664	**25,664**
Average fixed interest rate, EUR	1.41%	**1.41%**
Average fixed interest rate, RUB	6.2%	**6.2%**
Average EUR/RUB exchange rate	0.0132	**0.0132**

The table below provides the effect of hedging activity on equity:

Cash flow hedges	***Cash flow hedge reserve net of basis currency spread***	***Basis currency spread***
Balance at 1 January 2023	**194**	**(1,342)**
Effective portion of changes in the fair value of cross-currency interest rate swaps	(4,170)	677
Net amounts reclassified to profit or loss		
- Interest expense	*(549)*	–
- Net gains (losses) from operations with derivative financial instruments and foreign currency	*5,445*	*58*
Balance at 30 June 2023 (unaudited)	**920**	**(607)**
Balance at 1 January 2022	**(5,347)**	**(150)**
Effective portion of changes in the fair value of cross-currency interest rate swaps	63,678	(4,766)
Net amounts reclassified to profit or loss		
- Interest expense	(3,300)	–
- Net gains (losses) from operations with derivative financial instruments and foreign currency	(57,173)	(18)
Balance at 30 June 2022 (unaudited)	**(2,142)**	**(4,934)**

Fair value hedges

During the six months ended 30 June 2022, for the purposes of managing changes in the fair value of securities recognized in the interim statement of financial position within securities at fair value through other comprehensive income, an interconnection was established qualifying for fair value hedges. The result of EUR 534 thousand (including the disposed instruments) was recognized in the interim statement of profit or loss and other comprehensive income within net gains (losses) from operations with derivative financial instruments and foreign currency. During six months ended 30 June 2023, there were no such transactions.

(EUR thousand)

12. Property, plant and equipment, intangible assets and right-of-use assets

Movements in property, plant and equipment for the six months ended 30 June 2023 were as follows:

30 June 2023 (unaudited)	*Note*	*Building*	*Office equipment and computer hardware*	*Furniture*	*Transport*	*Intangible assets and investments in intangible assets*	*Right-of-use assets*	*Total*
Cost								
Balance at 1 January 2023		**76,000**	**1,640**	**453**	**545**	**2,187**	**26**	**80,851**
Additions		35	30	–	–	1	–	**66**
Disposals		–	(8)	(19)	–	–	(26)	**(53)**
Balance at 30 June 2023 (unaudited)		**76,035**	**1,662**	**434**	**545**	**2,188**	**–**	**80,864**
Accumulated depreciation								
Balance at 1 January 2023		**25,907**	**1,204**	**312**	**498**	**52**	**18**	**27,991**
Depreciation charges for the reporting period	21	519	103	5	32	28	1	**688**
Disposals		–	(8)	(8)	–	–	(19)	**(35)**
Balance at 30 June 2023 (unaudited)		**26,426**	**1,299**	**309**	**530**	**80**	**–**	**28,644**
Net book value								
Net book value at 1 January 2023		**50,093**	**436**	**141**	**47**	**2,135**	**8**	**52,860**
Net book value at 30 June 2023 (unaudited)		**49,609**	**363**	**125**	**15**	**2,108**	**–**	**52,220**

Movements in property, plant and equipment for the six months ended 30 June 2022 were as follows:

30 June 2022 (unaudited)	*Note*	*Building*	*Office equipment and computer hardware*	*Furniture*	*Transport*	*Intangible assets and investments in intangible assets*	*Right-of-use assets*	*Total*
Cost								
Balance at 1 January 2022		**73,254**	**1,620**	**474**	**568**	**2,073**	**26**	**78,015**
Additions		138	14	–	–	46	–	**198**
Disposals		–	(5)	–	–	–	–	**(5)**
Balance at 30 June 2022 (unaudited)		**73,392**	**1,629**	**474**	**568**	**2,119**	**26**	**78,208**
Accumulated depreciation								
Balance at 1 January 2022		**24,104**	**1,034**	**305**	**453**	**18**	**13**	**25,927**
Depreciation charges for the reporting period	21	488	91	8	35	16	2	**640**
Disposals		–	(5)	–	–	–	–	**(5)**
Balance at 30 June 2022 (unaudited)		**24,592**	**1,120**	**313**	**488**	**34**	**15**	**26,562**
Net book value								
Net book value at 1 January 2022		**49,150**	**586**	**169**	**115**	**2,055**	**13**	**52,088**
Net book value at 30 June 2022 (unaudited)		**48,800**	**509**	**161**	**80**	**2,085**	**11**	**51,646**

If the building were valued using the cost model, the carrying amounts would be as follows:

	30 June 2023 (unaudited)	***31 December 2022***
Cost	48,710	48,675
Accumulated depreciation	(16,943)	(16,589)
Net book value	**31,767**	**32,086**

(EUR thousand)

12. Property, plant and equipment, intangible assets and right-of-use assets (continued)

Revaluation of assets

As at 31 December 2022, an independent assessment of the fair value of building was performed by an independent firm of professional appraisers with required qualifications and relevant professional experience in the valuation of property of a similar category and in a similar location. To revaluate the building, the market method and the income capitalization method were used.

The value determined using the key assumptions represents management's analysis of further business prospects and is based on both external and internal sources of information.

The fair value of the building is classified within Level 3 of the fair value hierarchy.

The Bank leases part of the building to third parties, but the building is primarily intended for use by the Bank for its own purposes. As the Bank cannot physically separate the leased floor space and the leased floor space is insignificant, the Bank classifies the building as an item of property, plant and equipment.

The Bank expects to receive the following operating lease payments after 30 June 2023: within 30 days: EUR 150 thousand; 31 days to 180 days: EUR 836 thousand; 181 days to one year: EUR 291 thousand.

13. Other assets and liabilities

Other assets comprise:

	Note	*30 June 2023 (unaudited)*	*31 December 2022*
Financial assets			
Settlements on securities		20,306	182
Accounts receivable under financial and business operations		1,102	908
Margin call		4,760	7,419
Consumer lending		42	90
Bank fees receivable from customers		8	114
Allowance for expected credit losses from financial assets	22	(4,522)	(82)
Total financial assets less allowance for expected credit losses		**21,696**	**8,631**
Non-financial assets			
Inventories		66	73
Total non-financial assets		**66**	**73**
Total other assets		**21,762**	**8,704**

Other liabilities comprise:

	Note	*30 June 2023 (unaudited)*	*31 December 2022*
Financial liabilities			
Settlements under financial and business operations		1,381	1,880
Contributions to social security funds		248	430
Lease liabilities		–	9
Advances received		–	3
Total financial liabilities		**1,629**	**2,322**
Non-financial liabilities			
Allowance for expected credit losses from credit-related commitments	17, 22	5,107	7,083
Provision for unused vacations	23	426	416
Total non-financial liabilities		**5,533**	**7,499**
Total other liabilities		**7,162**	**9,821**

(EUR thousand)

14. Due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2023 (unaudited)	*31 December 2022*
Long-term related financing from banks in IBEC member countries	38,214	39,106
Repurchase agreements	–	20,397
Loans from banks in IBEC member countries	–	5,244
Correspondent accounts of banks in IBEC member countries	675	370
Correspondent accounts of banks in other countries	91	4
Due to credit institutions	**38,980**	**65,121**

As at 30 June 2023, balances due to three major counterparties amounted to EUR 38,784 thousand, or 99.5% of the total amount due to credit institutions (31 December 2022: EUR 60,646 thousand due to three major counterparties, or 93.13% of the total amount due to credit institutions).

As at 30 June 2023, there were no repurchase agreements. As at 31 December 2022, the Bank entered into repurchase agreements with banks in IBEC member countries and banks in other countries with encumbrances on securities with a fair value of EUR 21,275 thousand (Notes 7, 8).

Transferred financial assets not derecognized

The following table provides a summary of financial assets which have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition:

	Note	*30 June 2023 (unaudited)*	*31 December 2022*
Carrying amount of transferred assets – securities at fair value through other comprehensive income	7	–	10,440
Carrying amount of transferred assets– securities at amortized cost	8	–	10,835
Carrying amount of associated liabilities – due to credit institutions		–	(20,397)

The Bank transfers securities under repurchase agreements to a third party for cash or other financial assets and does not derecognize them. In certain circumstances, when the value of securities increases, the Bank may demand additional financing. If the value of securities decreases, the Bank may have to provide additional collateral in the form of securities or partially repay the cash received. The Bank has determined that it retains substantially all the risks and rewards of these securities, which include credit risk, market risk, country risk and operational risk, and therefore has not derecognized them. In addition, it recognized a financial liability for cash received.

15. Due to customers

Amounts due to customers comprise:

	30 June 2023 (unaudited)	*31 December 2022*
Deposits of organizations in IBEC member countries	9,712	133
Amounts due to the Fund	7,091	7,100
Current accounts of organizations in IBEC member countries	866	8,152
Current accounts of organizations in other countries	568	29
Other current accounts	2,171	2,627
Due to customers	**20,408**	**18,041**

(EUR thousand)

15. Due to customers (continued)

As at 30 June 2023, balances due to three major customers of the Bank amounted to EUR 15,647 thousand, or 76.67% of total amounts due to customers (31 December 2022: EUR 13,095 thousand, or 72.58% of total amounts due to customers).

Amounts due to the Fund represent amounts due to the International Fund for Technological Development held in a fiduciary capacity at the end of the reporting period.

An analysis of amounts due to customers (entities) excluding other current accounts and amounts due to the Fund by industry is as follows:

	30 June 2023 (unaudited)		***31 December 2022***	
	Amount	***%***	***Amount***	***%***
Finance	8,768	78.7	839	10.1
Construction	1,166	10.4	4,904	58.9
Transport	785	7.1	988	11.9
Pharmaceuticals	120	1.1	62	0.8
Trade	43	0.4	70	0.8
Manufacturing	19	0.2	14	0.2
Metallurgy	14	0.1	–	–
Chemical industry	5	0.0	14	0.2
Research	2	0.0	120	1.4
Mining	1	0.0	1	0.0
Other	223	2.0	1,302	15.7
Total due to customers	**11,146**	**100**	**8,314**	**100**

16. Debt securities issued

Debt securities issued comprise:

	30 June 2023 (unaudited)	***31 December 2022***
RUB-denominated bonds	110,763	117,474
BGN-denominated bonds	34,744	34,716
Debt securities issued	**145,507**	**152,190**

On 15 June 2023, IBEC placed bonds on the Moscow Exchange in the amount of RUB 1.7 billion (EUR 18,668 thousand at the currency exchange rate as at the date of issue) with maturity on 2 June 2033 and offer date in June 2026. The coupon rate on the bonds was set at 10.75% p.a. for three years payable on a quarterly basis. No hedging transactions were entered into for this issue considering the Bank's OCP structure and planned pipeline of a new asset portfolio (Note 11).

On 1 June 2021, IBEC placed bonds in Bulgaria in the amount of BGN 68 million (EUR 34,768 thousand at the currency exchange rate as at the date of issue) originally maturing within 3 years. The coupon rate on the bonds was set at 1.150% p.a. payable on a semi-annual basis.

On 15 June 2020, IBEC placed bonds on the Moscow Exchange in the amount of RUB 5 billion (EUR 63,675 thousand at the currency exchange rate as at the date of issue) with maturity on 3 June 2030 and offer date in June 2024. The coupon rate on the bonds was set at 6.20% p.a. payable on a semi-annual basis.

(EUR thousand)

16. Debt securities issued (continued)

On 9 October 2019, IBEC placed bonds on the Moscow Exchange in the amount of RUB 7 billion (EUR 98,266 thousand at the currency exchange rate effective as at the date of issue) with maturity on 26 September 2029 and offer date in October 2022; the coupon rate on the bonds was set at 7.9% p.a. payable on a semi-annual basis. A result of an offer in October 2022 and a secondary placement in November 2022, the partial secondary placement of bonds took place, as a result of which the coupon rate on the bonds was set at 10.25% p.a. with the offer date in October 2023. As at 30 June 2023, the volume of publicly traded bonds of this issue amounted to RUB 3.796 billion (31 December 2022: RUB 3.796 billion).

When placing bonds in currencies other than euros and without natural hedge, the Bank entered into cross-currency interest rate contracts to regulate currency risks (Note 11).

17. Credit-related commitments

Credit-related commitments comprise the following:

	30 June 2023 (unaudited)	*31 December 2022*
Guarantees issued	33,757	41,642
Letters of credit	–	10,542
Total credit-related commitments	**33,757**	**52,184**
Allowance for expected credit losses (Notes 13 and 22)	(5,107)	(7,083)
Credit-related commitments	**28,650**	**45,101**

Credit-related commitments are due to customers engaged in transactions with the following countries:

	30 June 2023 (unaudited)	*31 December 2022*
Russian Federation	27,394	31,726
Czech Republic	1,058	1,324
Slovak Republic	198	198
Mongolia	–	10,541
Romania	–	799
Republic of Poland	–	513
Total	**28,650**	**45,101**

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(EUR thousand)

17. Credit-related commitments (continued)

An analysis of changes in the amount of commitments and changes in the allowance for expected credit losses from credit-related commitments is presented below:

Credit-related commitments	***Stage 1***	***Stage 2***	***Total***
Amount of commitments at 1 January 2023	**33,751**	**18,433**	**52,184**
New exposures	12,896	924	**13,820**
Exposures expired or amounts paid	(11,990)	(13,186)	**(25,176)**
Changes in currency exchange rates	(5,632)	(1,439)	**(7,071)**
Amount of commitments at 30 June 2023 (unaudited)	**29,025**	**4,732**	**33,757**
Allowance for expected credit losses at 1 January 2023	**4,896**	**2,187**	**7,083**
New exposures	1,876	–	**1,876**
Exposures expired or amounts paid	(2)	(1,042)	**(1,044)**
Changes in models and inputs used for ECL calculations	(988)	(429)	**(1,417)**
Changes in currency exchange rates	(1,171)	(220)	**(1,391)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**4,611**	**496**	**5,107**
Amount of commitments at 1 January 2022	**191,793**	**–**	**191,793**
New exposures	96,743	–	**96,743**
Transfer to Stage 2	(137,459)	137,459	**–**
Exposures expired or amounts paid	(134,962)	–	**(134,962)**
Changes in currency exchange rates	38,014	–	**38,014**
Amount of commitments at 30 June 2022 (unaudited)	**54,129**	**137,459**	**191,588**
Allowance for expected credit losses at 1 January 2022	**493**	**–**	**493**
New exposures	11	–	**11**
Transfer to Stage 2	(10,366)	10,366	**–**
Exposures expired or amounts paid	(364)	–	**(364)**
Changes in models and inputs used for ECL calculations	3,201	–	**3,201**
Changes in currency exchange rates	7,049	–	**7,049**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**24**	**10,366**	**10,390**

Guarantees represent an amount of the Bank’s liability to make payments in the event that a customer cannot meet its obligations to third parties.

Documentary letters of credit are written undertakings by the Bank on behalf of a customer to make payments up to an agreed amount under specific terms and conditions, which are collateralized by the corresponding shipments of goods.

When issuing guarantees and letters of credit, the Bank uses the same risk management policy and procedures as for granting loans to customers.

Credit-related commitments may be terminated without being performed partially or in full. Therefore, the above credit-related commitments do not represent an expected cash outflow.

(EUR thousand)

18. Interest income and interest expense

	For the six months ended 30 June (unaudited)	
	2023	**2022**
Interest income		
Interest income calculated using the EIR method		
Loans to corporate customers	3,837	5,286
Securities at fair value through other comprehensive income	1,891	1,775
Loans and deposits to banks	1,808	2,441
- Term deposits with banks	*1,537*	*464*
- Loans issued to banks under trade financing	*271*	*1,200*
- Syndicated loans	*–*	*777*
Securities at amortized cost	837	1,196
Other	61	3
Other interest income		
Securities at fair value through profit or loss	64	95
Total interest income	**8,498**	**10,796**
Interest expense		
Interest expense calculated using the EIR method		
Debt securities issued	(3,164)	(2,577)
Due to credit institutions	(213)	(1,787)
Due to customers	(195)	(2,214)
Lease liabilities	–	(1)
Other	–	(432)
Total interest expense	**(3,572)**	**(7,011)**
Net interest income	**4,926**	**3,785**

19. Net fee and commission (expense) income

	For the six months ended 30 June (unaudited)	
	2023	**2022**
Documentary operations	309	984
Fee for servicing a loan/credit facility	126	94
Accounts maintenance	20	22
Cash and settlement operations	14	21
Currency control	12	12
Fee and commission income	**481**	**1,133**
Fee and commission expense	(521)	(267)
Net fee and commission (expense) income	**(40)**	**866**

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(EUR thousand)

20. Net losses from operations with securities at fair value through other comprehensive income

Net losses from operations with securities at fair value through other comprehensive income that are recorded in profit or loss comprise:

	For the six months ended 30 June (unaudited)	
	2023	***2022***
Result from disposal of debt securities	(481)	(12,807)
Total net losses from operations with securities at fair value through other comprehensive income	**(481)**	**(12,807)**

The loss from the revaluation of securities at fair value through other comprehensive income due to their disposal during the six months ended 30 June 2023 is reclassified from other comprehensive income to net losses from operations with securities at fair value through other comprehensive income in the amount of EUR 599 thousand (six months ended 30 June 2022: EUR 12,916 thousand).

Unrealized gains (losses) from operations with securities at fair value through other comprehensive income during the six months ended 30 June 2023 amounted to EUR 7,994 thousand (six months ended 30 June 2022: EUR (28,612) thousand).

21. Administrative and management expenses

	For the six months ended 30 June (unaudited)	
	2023	***2022***
Staff costs	3,914	4,190
Depreciation of property, plant and equipment	688	640
Repair and maintenance of the building, equipment and apartments	684	674
Building security expenses	148	182
Information and advisory expenses	117	138
Other administrative and management expenses	407	487
Total administrative and management expenses	**5,958**	**6,311**

Staff costs comprise contributions to:

	For the six months ended 30 June (unaudited)	
	2023	***2022***
Social Fund of the Russian Federation (prior to 2023 – Pension Fund and Compulsory Medical Insurance Fund of the Russian Federation)	610	591
Pension funds of other IBEC member countries	15	28
Total	**625**	**619**

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(EUR thousand)

22. Allowances for expected credit losses

The tables below show losses (gains) associated with allowances for expected credit losses from financial assets recognized in profit or loss for the six months ended 30 June 2023 and the six months ended 30 June 2022:

30 June 2023 (unaudited)	***Note***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Cash and cash equivalents	5	60	(8)	–	**52**
Securities at fair value through other comprehensive income	7	9,675	(603)	–	**9,072**
Securities at amortized cost	8	353	(81)	–	**272**
Loans and deposits to banks	9	52	11	(9,294)	**(9,231)**
Loans to corporate customers	10	2,382	(1,926)	(19)	**437**
Credit-related commitments	17	886	(1,471)	–	**(585)**
Other financial assets	13	4,462	2	–	**4,464**
		17,870	**(4,076)**	**(9,313)**	**4,481**

30 June 2022 (unaudited)	***Note***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Cash and cash equivalents	5	66	–	–	**66**
Securities at fair value through other comprehensive income	7	9,417	(185)	–	**9,232**
Securities at amortized cost	8	1,909	–	–	**1,909**
Loans and deposits to banks	9	(734)	–	–	**(734)**
Loans to corporate customers	10	3,029	(798)	2,978	**5,209**
Credit-related commitments	17	2,848	–	–	**2,848**
Other financial assets	13	384	–	–	**384**
		16,919	**(983)**	**2,978**	**18,914**

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(EUR thousand)

22. Allowances for expected credit losses (continued)

The reconciliation of balances of the allowance for expected credit losses from financial assets as at 30 June 2023 and 30 June 2022 is presented below:

	Cash and cash equivalents	*Securities at fair value through other comprehensive income*	*Securities at amortized cost*	*Loans and deposits to banks*	*Loans to corporate customers*	*Credit-related commitments*	*Other financial assets*	*Total*
Balance at 1 January 2023	**28**	**8,933**	**2,608**	**10,453**	**10,808**	**7,083**	**82**	**39,995**
New originated or purchased assets	1,535	9,735	507	1,780	4,221	1,876	4,588	**24,242**
Assets derecognized or redeemed (excluding write-offs)	(1,509)	(1,761)	(49)	(11,058)	(2,017)	(1,044)	(92)	**(17,530)**
Changes in models and inputs used for ECL calculations	26	1,098	(186)	47	(1,767)	(1,417)	(32)	**(2,231)**
Changes in currency exchange rates	(12)	(827)	(64)	(272)	(1,201)	(1,391)	(24)	**(3,791)**
Balance at 30 June 2023 (unaudited)	**68**	**17,178**	**2,816**	**950**	**10,044**	**5,107**	**4,522**	**40,685**
Balance at 1 January 2022	**–**	**1,266**	**791**	**876**	**5,004**	**493**	**1**	**8,431**
New originated or purchased assets	71	59	26	148	770	11	2	**1,087**
Assets derecognized or redeemed (excluding write-offs)	(76)	(700)	(398)	(7,594)	(12,466)	(364)	(7)	**(21,605)**
Changes in models and inputs used for ECL calculations	71	9,873	2,281	6,712	16,905	3,201	389	**39,432**
Assets sold	–	–	–	–	(55)	–	–	**(55)**
Changes in currency exchange rates	3	2,041	60	390	4,773	7,049	1	**14,317**
Balance at 30 June 2022 (unaudited)	**69**	**12,539**	**2,760**	**532**	**14,931**	**10,390**	**386**	**41,607**

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(EUR thousand)

23. Other provisions

Movements in other provisions are presented below:

	Provision for unused vacations	***Total***
1 January 2023	**416**	**416**
Charge	41	**41**
Write-offs	(31)	**(31)**
30 June 2023 (unaudited)	**426**	**426**
1 January 2022	**321**	**321**
Charge	154	**154**
Write-offs	(5)	**(5)**
30 June 2022 (unaudited)	**470**	**470**

24. Risk management

Introduction

The Bank manages its risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other internal controls. The risk management process is critical to the Bank's stable ongoing activity. In the course of its principal activities, the Bank is exposed to the following financial risks: credit risk, liquidity risk and market risk. It is also subject to operating risks.

Risk management structure

The Council of the Bank, the Board of the Management of the Bank, the IBEC Credit Committee, the IBEC Assets, Liabilities and Risk Management Committee and the Risk Control Department are responsible for the risk management. Each function of the Bank is responsible for the risks associated with its responsibilities.

Council of the Bank

The Council of the Bank is responsible for the overall risk management approach and for approving IBEC's risk management policy and other strategic documents regulating risk management principles and procedures.

Board of the Bank

The Board of the Management of the Bank is the executive body of the Bank responsible for implementing the risk management policy and other strategic documents regulating risk management principles and procedures.

Credit Committee (CC)

The CC is a standing collegial deliberative body of the Bank under IBEC's Board, which was established to assist the Board of the Management of the Bank in lending activities and credit risk management in accordance with the Bank's goals and objectives. The CC reports to the Board of the Management of the Bank.

Assets, Liabilities and Risk Management Committee (ALRMC)

The ALRMC is a standing collegial deliberative body under IBEC's Board, which was established to provide methodological support to IBEC's Board in preparing and implementing the Bank's current and long-term policies with regard to asset and liability management, effective allocation of resources, as well as risk management (other than credit risk management). The ALRMC reports to the Board of the Management of the Bank.

(EUR thousand)

24. Risk management (continued)

Risk management structure (continued)

Risk Control Department (RCD)

The RCD is an independent function of the Bank responsible for coordinating all risk management functions, performing independent banking risk assessment, developing and coordinating initiatives to improve the risk management system. The RCD is responsible for the implementation and maintenance of risk management procedures.

Internal Audit Department (IAD)

The IAD is responsible for reviewing the adequacy of risk management procedures and the Bank's compliance with the procedures. The IAD reports results of its reviews, findings and recommendations to the Board of the Management of the Bank.

Risk measurement and reporting systems

The Bank's risk management policy is based on the reasonable conservatism approach which assumes that the Bank does not enter into potential transactions with high or undeterminable risk level, regardless of profitability.

Risks are measured and managed using the comprehensive approach whereby all existing risk factors and relationships between such factors are taken into account. Monitoring and control of risks are based on the limits established by the Bank, as well as global risk appetite. These limits reflect the Bank's business strategy and market environment, as well as the level of risk that the Bank is willing to accept.

Information compiled for all business lines is examined by the Bank's functions and processed in order to analyze, control and identify risks on a timely basis. The Bank's functions prepare regular reports on their operations and communicate the current risk status to the RCD. For effective risk management purposes, the Bank's functions cooperate with the RCD to monitor the current risk exposure on the Bank's customers, counterparties, certain transactions and portfolios. The respective information is reported to the collegial bodies: the Board and the Council of the Bank.

Risk mitigation

As part of its overall risk management, the Bank uses various risk limitation and mitigation methods: diversification, limitation, hedging. The Bank received collateral for issued loans to reduce its credit risk.

Excessive risk concentration

Risk concentrations arise when changes in economic, political or other conditions have a similar effect on the counterparties' ability to meet contractual obligations when certain counterparties are involved in similar activities or operate in the same geographical region or the counterparties have similar economic characteristics. Risk concentrations reflect relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical region.

In order to avoid excessive risk concentration, the Bank's policies and procedures include specific guidelines aimed at maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Bank may incur losses because its customers or counterparties fail to discharge their contractual obligations to the Bank in full or in part. The Bank manages credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring compliance with such limits.

All transactions which bear credit risk are measured using the quantitative and qualitative analysis methods specified in the Bank's credit and risk management regulations. The Bank uses its internal methodology to assign internal credit ratings to its clients or counterparties. These credit ratings reflect the Bank's exposure to credit risk.

(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

The Bank considers credit ratings assigned by S&P, Moody's, and Fitch agencies to manage the credit quality of its financial assets. If no external rating is available, the Bank determines its internal credit rating on the basis of the sovereign rating ceiling. In addition to the analysis of the financial standing of counterparties, the Bank also analyzes cash flows and prepares cash flow models for its corporate lending transactions.

The Bank manages credit risk through regular analysis of the ability of its customers and counterparties to discharge their principal and interest repayment obligations. The Bank's customers/counterparties are regularly monitored; their cash flow models are controlled and clarified, their financial positions are reviewed for compliance with the assign internal credit ratings, and, where necessary, respective adjustments are made.

The credit quality review process allows the Bank to assess potential losses on risks to which it is exposed and take appropriate mitigation actions. In addition, credit risk is further mitigated by obtaining collateral, guarantees (including state guarantees) and warranties from legal entities and individuals.

Maximum (total) exposure to credit risk is disclosed in Notes 5, 7-10, 13 and 17.

Risks associated with credit-related commitments

Credit risk on credit-related commitments is defined as the possibility of sustaining a loss as a result of another party to a transaction failing to perform in accordance with the terms of the contract. They expose the Bank to similar risks to loans and these are mitigated by the same assessment, limitation, monitoring and control procedures.

Definition of default

The Bank classifies a financial asset as a financial asset in default if:

- It is unlikely that the borrower will discharge its credit-related commitments in full, if the Bank decides not to sell a collateral (if any); and
- Amount due from the borrower under any of the Bank's significant credit-related commitments is more than 90 days overdue (for legal entities).

When the Bank assesses whether the event of default of the borrower's liabilities occurred, it considers the following:

- Quality-based indicators (e.g., breach of covenants);
- Quantity-based indicators (e.g., whether there are instances when the same counterparty failed to discharge its liabilities or has overdue payments); and
- Indicators independently designed by the Bank's internal functions or obtained from external sources.

Significant increase in credit risk

When the Bank determines whether a significant increase in a financial instrument's credit risk (risk of default) occurred since its initial recognition, it examines reasonable and supportable forward-looking information that is available without undue cost or effort, including quantitative and qualitative information, as well as an analysis based on the Bank's previous experience, experts' assessment of the quality of the financial instrument and forecast information.

To determine whether there has been a significant increase in credit risk for a position exposed to credit risk, the Bank compares the factors that include, but are not limited to, the following:

- Probability of default for the period remaining to the reporting date; and
- Probability of default for the remaining period calculated at initial recognition of the position exposed to the credit risk (adjusted, if applicable, for changes in early repayment expectations).

(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

When the Bank assesses whether a significant increase in a financial instrument's credit risk occurred since its initial recognition, it is necessary to determine the date of initial recognition.

Criteria for the determination of significant increase in credit risk vary depending on portfolio and comprise both quantitative changes in the probability of default and qualitative factors, including the limit indicator related to the overdue period.

The Bank believes that since the date of initial recognition the credit risk related to a certain position increased significantly, if, among other things, the borrower's internal or external credit rating has deteriorated by two notches since the date of initial recognition. When the Bank determines whether a significant increase in credit risk takes place, it adjusts the expected credit losses for the remaining period on the basis of amended repayment period.

Based on its expert assessment of the credit quality and, where possible, respective historical experience, the Bank can conclude that credit risk associated with a financial instrument has increased significantly, if it is evidenced by certain quality indicators of significant increase in credit risk that cannot be promptly and fully identified as a result of its quantitative analysis.

The Bank considers debts overdue for more than 30 days as a sign of a significant increase in credit risk associated with a financial asset since initial recognition (for corporate customers). The number of overdue days is counted from the first day, on which the full amount due was not paid.

The Bank checks whether the criteria used to identify a significant increase in credit risk are effective by regular reviews, in order to ensure that:

- The criteria help to identify a significant increase in credit risk before an event of default in respect of the position exposed to the credit risk takes place.
- The criteria are not aligned with the moment of time when the amount due for the asset is more than 30 days overdue.
- An average period between the date when a significant increase in credit risk was identified and the date when the event of default actually occurred is deemed reasonable.
- Positions exposed to credit risk are not reclassified directly from a portfolio, for which an allowance is recorded in the amount of 12-month expected credit losses (Stage 1) to a portfolio of credit-impaired assets (Stage 3).
- There is no unjustified volatility of the amount of the ECL allowance when positions exposed to credit risk are reclassified from the portfolio, for which an allowance is recorded in the amount of 12-month expected credit losses (Stage 1) to a portfolio, for which an allowance is recorded in the amount of lifetime expected credit losses (Stage 2).

Credit risk levels (grades)

The Bank allocates each position exposed to credit risk between credit risk levels based on various data that is used in making default risk projections, as well as using expert judgments on loans. The Bank uses these credit risk levels to identify whether a significant increase in credit risk occurred in accordance with IFRS 9. Credit risk levels are determined using qualitative and quantitative factors indicating the risk of default. These factors may vary depending on the nature of the position exposed to credit risk and the type of borrower.

Credit risk levels of s are determined and calibrated in such a manner that the risk of default increases exponentially as credit risk deteriorates (e.g. the difference between the risk of default at level 1 and level 2 of credit risk is less than the difference at level 2 and level 3 of credit risk).

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

Each position exposed to credit risk is classified as having a certain level of the credit risk at the date of initial recognition on the basis of information about the borrower. Positions exposed to credit risk are constantly monitored, which may result in reclassification of positions to another level of credit risk. Generally, the monitoring includes the analysis of the following:

- Information obtained as a result of the regular analysis of the borrowers' data (e.g. audited financial statements, management accounts, budget estimates, forecasts and plans);
- Data obtained from credit rating agencies, publications in press, information about changes in external credit ratings;
- Quotes of bonds and credit default swaps of the issuers, if available;
- Actual and expected significant changes in the political, regulatory and technological environment where a borrower operates;
- Information about payments, including the status of overdue amounts;
- Requests to revise the terms of loan agreements and responses to such requests;
- Current and forecast changes in financial, economic and operating conditions.

Creating a term structure of probability of default

For positions exposed to credit risk, credit risk levels are initial inputs for creating a term structure of probability of default. The Bank collects information on debt servicing and the level of default for positions exposed to credit risk that are analyzed depending on the jurisdiction, type of product, and borrower, as well as the level of credit risk. For some portfolios, information received from external credit rating agencies may also be used.

The Bank uses statistical models to analyze collected data and generate estimates of the probability of default over the remaining period for positions exposed to credit risk, and determine how these are expected to change over time.

This analysis includes the determination and calibration of relationships between changes in probabilities of default and changes in macroeconomic factors, as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most positions exposed to credit risk, key macroeconomic indicators include movements in GDP and changes in consumer price index.

For positions exposed to credit risk in certain industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices, exchange rates etc.

The Bank's approach to incorporating forward-looking information into this assessment is discussed below.

Inputs for measuring expected credit losses

The key inputs used for measuring expected credit losses comprise term structures of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD;)
- Credit conversion factor (CCF);
- Cash flows used to service debt under different scenarios (loans to legal entities);
- Credit ratings assigned by major international rating agencies (for counterparty banks and debt securities);
- Volatility of share/index prices (for counterparty banks that do not have a credit rating assigned by international rating agencies).

(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

These indicators (other than cash flows) are derived from external statistical models and other historical data. They will be adjusted to reflect forward-looking information as described below.

Probability of default (PD) estimates are estimates at a certain date, which are calculated based on statistical grade models and assessed using measurement tools tailored to the various categories of counterparties and positions exposed to the credit risk. If a counterparty or position exposed to the credit risk migrates between credit quality grades, it will result in change in the estimate of the associated PD indicators. PDs will be estimated considering the contractual maturities of positions exposed to the credit risk and expectations in terms of the early repayment.

Allowance for lending to legal entities is determined on the basis of measurement models approved by the Bank. One of the models used to measure expected credit losses is based on the determination of the difference between contractual and expected cash inflows to the Bank discounted at the initial effective interest rate and adjusted for collateral level and recovery rate. Other models are based on the international ratings of the borrower/its parent and sovereign rating of the country where the borrower is located. After the above assessment, the Bank selects the most conservative result.

Loss given default (LGD) is the amount of the possible loss in case of default and depends on the recovery rate. For corporate investment and dealing securities the recovery rate taken is consistent with the Moody's average historical data. For default level securities, the recovery rate is deemed at 0%. For loans and deposits to banks the recovery rate taken is consistent with the Moody's average historical data on recovery rates for unsecured bank loans.

Exposure at default (EAD) represents an expected amount of position exposed to the credit risk at the date when the event of default occurs. The Bank derives it from the current EAD and its potential changes permitted by the contract.

As described above, if the Bank uses the highest 12-month probability of default for financial assets for which credit risk has not increased significantly, the Bank will measure the expected credit losses considering the risk of default over the maximum contractual period (including any borrower's options to extend the term of the contract) over which it is exposed to credit risk, even when the Bank considers a longer period for the risk management purposes. The maximum contractual period extends to the date at which the Bank has the right to require repayment of a loan issued or terminate a loan commitment.

Forward-looking information

In accordance with IFRS 9, the Bank incorporates forward-looking information in its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and in its measurement of expected credit losses. This assessment is based on external information as well. External information may include economic data and forecasts published by governmental bodies and monetary regulators in the countries where the Bank operates, and certain individual and scientific forecasts, information provided by Bloomberg, Thomson Reuters, etc.

The Bank also carries out regular stress-testing of more extreme scenarios to adjust its approach to determining these representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships among the macroeconomic variables, credit risk and credit losses. These key drivers are forecasts of GDP and consumer price index.

Estimated relations between key indicators, default levels and losses on various portfolios of financial assets were determined based on the analysis of historical data for the last seven years.

In these interim condensed financial statements, expected credit losses are recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows discounted at the original effective interest rate of the financial asset. Uncollectible financial assets are written off against the allowance, after all the necessary procedures for full or partial recovery have been completed and the ultimate loss amount has been determined.

(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The Bank applies external and internal credit ratings to manage the credit quality of its financial assets.

The Bank measures its financial assets that do not have external credit rating using the scale of internal credit rating, that are consistent with the ratings assigned by international rating agencies.

The table below shows the credit quality of assets exposed to credit risk (by three stages of impairment) by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available) as at 30 June 2023:

	Stage 1	***Stage 2***	***Stage 3***	
	12-month ECL	***Lifetime ECL***	***Lifetime ECL***	***Total***
Cash and cash equivalents (other than cash on hand)				
Due from central banks	–	677	–	**677**
Correspondent accounts with internationally rated banks	16,662	–	–	**16,662**
Correspondent accounts with banks having internal credit ratings only	26,014	21,436	5	**47,455**
Total	**42,676**	**22,113**	**5**	**64,794**
Allowance for expected credit losses	(49)	(14)	(5)	**(68)**
Carrying amount	**42,627**	**22,099**	**–**	**64,726**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	19,630	8,189	–	**27,819**
Internally rated only	47,323	26,243	–	**73,566**
Carrying amount	**66,953**	**34,432**	**–**	**101,385**
Allowance for expected credit losses	**(11,384)**	**(5,794)**	**–**	**(17,178)**
Securities at amortized cost				
Held by the Bank				
Internationally rated	17,080	–	–	**17,080**
Internally rated only	5,170	9,705	–	**14,875**
Total	**22,250**	**9,705**	**–**	**31,955**
Allowance for expected credit losses	(1,417)	(1,399)	–	**(2,816)**
Carrying amount	**20,833**	**8,306**	**–**	**29,139**
Loans and deposits to banks				
Internationally rated	28,359	1,693	–	**30,052**
Internally rated only	32,609	1,927	–	**34,536**
Total	**60,968**	**3,620**	**–**	**64,588**
Allowance for expected credit losses	(384)	(566)	–	**(950)**
Carrying amount	**60,584**	**3,054**	**–**	**63,638**
Loans to corporate customers				
Internationally rated	10,094	–	–	**10,094**
Internally rated only	95,192	14,731	521	**110,444**
Total	**105,286**	**14,731**	**521**	**120,538**
Allowance for expected credit losses	(6,859)	(2,664)	(521)	**(10,044)**
Carrying amount	**98,427**	**12,067**	**–**	**110,494**

(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality of assets exposed to credit risk (by three stages of impairment) by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available) as at 31 December 2022:

	Stage 1 *12-month ECL*	*Stage 2* *Lifetime ECL*	*Stage 3* *Lifetime ECL*	*Total*
Cash and cash equivalents (other than cash on hand)				
Due from central banks	32	11,580	–	**11,612**
Correspondent accounts with internationally rated banks	38,408	–	–	**38,408**
Correspondent accounts with banks having internal credit ratings only	45	35,863	4	**35,912**
Total	**38,485**	**47,443**	**4**	**85,932**
Allowance for expected credit losses	–	(24)	(4)	**(28)**
Carrying amount	**38,485**	**47,419**	**–**	**85,904**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	12,118	6,617	–	**18,735**
Internally rated only	10,702	28,197	–	**38,899**
Carrying amount	**22,820**	**34,814**	**–**	**57,634**
Allowance for expected credit losses	**(1,933)**	**(6,967)**	**–**	**(8,900)**
Pledged under repurchase agreements				
Internationally rated	9,718	722	–	**10,440**
Carrying amount	**9,718**	**722**	**–**	**10,440**
Allowance for expected credit losses	**(23)**	**(10)**	**–**	**(33)**
Securities at amortized cost				
Held by the Bank				
Internationally rated	11,499	–	–	**11,499**
Internally rated only	3,010	22,296	–	**25,306**
Total	**14,509**	**22,296**	**–**	**36,805**
Allowance for expected credit losses	(1,045)	(1,491)	–	**(2,536)**
Carrying amount	**13,464**	**20,805**	**–**	**34,269**
Pledged under repurchase agreements				
Internationally rated	10,907	–	–	**10,907**
Total	**10,907**	**–**	**–**	**10,907**
Allowance for expected credit losses	(72)	–	–	**(72)**
Carrying amount	**10,835**	**–**	**–**	**10,835**
Loans and deposits to banks				
Internationally rated	33,376	1,731	9,531	**44,638**
Internally rated only	28,802	275	–	**29,077**
Total	**62,178**	**2,006**	**9,531**	**73,715**
Allowance for expected credit losses	(344)	(578)	(9,531)	**(10,453)**
Carrying amount	**61,834**	**1,428**	**–**	**63,262**
Loans to corporate customers				
Internationally rated	12,132	–	19	**12,151**
Internally rated only	104,208	21,618	520	**126,346**
Total	**116,340**	**21,618**	**539**	**138,497**
Allowance for expected credit losses	(5,251)	(5,018)	(539)	**(10,808)**
Carrying amount	**111,089**	**16,600**	**–**	**127,689**

(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

As at 30 June 2023, credit-related commitments less allowances for expected credit losses in the amount of EUR 29,025 thousand and EUR 4,732 thousand to Stage 1 and Stage 2, respectively. As at 31 December 2022, credit-related commitments less allowances for expected credit losses in the amount of EUR 33,751 thousand and EUR 18,433 thousand relate to Stage 1 and Stage 2, respectively. During the six months ended 30 June 2023, there were no transfers of credit-related commitments between stages (six months ended 30 June 2022: credit-related commitments of EUR 137,459 thousand were transferred from Stage 1 to Stage 2).

As at 30 June 2023, other financial assets less allowances for expected credit losses in the amount of EUR 12,729 thousand and EUR 13,489 thousand relate to Stage 1 and Stage 2, respectively. As at 30 June 2023, assets of EUR 13,358 thousand were transferred from Stage 1 to Stage 2. As at 31 December 2022, other financial assets less allowances for expected credit losses in the amount of EUR 8,548 thousand and EUR 165 thousand relate to Stage 1 and Stage 2, respectively. During the six months ended 30 June 2022, assets of EUR 47,248 thousand were transferred from Stage 1 to Stage 2.

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(EUR thousand)

24. Risk management (continued)

Geographical risk

Information on risk concentration by geographical region is based on the geographical location of the Bank's counterparties. The table below shows risk concentration by geographical region as at 30 June 2023:

Country	*Cash and cash equivalents (other than cash on hand)*	*Securities at fair value through profit or loss held by the Bank*	*Securities at fair value through profit or loss pledged under repurchase agreements*	*Securities at fair value through other compre-hensive income held by the Bank*	*Securities at fair value through other compre-hensive income pledged under repurchase agreements*	*Securities at amortized cost held by the Bank*	*Securities at amortized cost pledged under repurchase agreements*	*Loans and deposits to banks*	*Loans to corporate customers*	*Derivative financial assets*	*Other financial assets*	*Total*	*Share, %*
Russian Federation	48,062	4,249	–	73,565	–	12,194	–	34,323	21,536	603	12,182	**206,714**	**51.92**
Mongolia	3,920	–	–	–	–	4,630	–	27,136	37,141	–	–	**72,827**	**18.29**
Republic of Bulgaria	3	–	–	3,321	–	8,597	–	–	28,205	–	117	**40,243**	**10.11**
Socialist Republic of Vietnam	467	–	–	–	–	–	–	–	13,393	–	–	**13,860**	**3.48**
Republic of Poland	7	342	–	3,820	–	–	–	–	7,974	–	–	**12,143**	**3.05**
Romania	–	1,854	–	5,703	–	–	–	–	1,685	–	–	**9,242**	**2.32**
Czech Republic	–	–	–	3,755	–	3,718	–	–	–	–	7	**7,480**	**1.88**
IFI[5]	–	–	–	2,361	–	–	–	–	–	–	–	**2,361**	**0.59**
Slovak Republic	–	–	–	1,487	–	–	–	–	560	–	–	**2,047**	**0.52**
Other countries	12,267	–	–	7,373	–	–	–	2,179	–	–	9,390	**31,209**	**7.84**
Total	**64,726**	**6,445**	**–**	**101,385**	**–**	**29,139**	**–**	**63,638**	**110,494**	**603**	**21,696**	**398,126**	**100**

Other countries are represented by Turkey, Luxembourg, Latvia, Germany, Hungary, Kazakhstan, Belgium, Philippines and Armenia, i.e. countries that carry out their operations in transactions with the Bank's member countries.

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[5] *IFI – international financial funds and institutions. As at 30 June 2023, IFI are represented by the Eurasian Development Bank and the European Investment Bank.*

(EUR thousand)

24. Risk management (continued)

Geographical risk (continued)

Information on risk concentration by geographical region is based on the geographical location of the Bank's counterparties. The table below shows risk concentration by geographical region as at 31 December 2022:

Country	*Cash and cash equivalents (other than cash on hand)*	*Securities at fair value through profit or loss held by the Bank*	*Securities at fair value through profit or loss pledged under repurchase agreements*	*Securities at fair value through other compre-hensive income held by the Bank*	*Securities at fair value through other compre-hensive income pledged under repurchase agreements*	*Securities at amortized cost held by the Bank*	*Securities at amortized cost pledged under repurchase agreements*	*Loans and deposits to banks*	*Loans to corporate customers*	*Derivative financial assets*	*Other financial assets*	*Total*	*Share, %*
Russian Federation	47,419	4,697	–	38,900	–	22,959	–	28,503	17,126	1,135	1,604	**162,343**	**39.93**
Mongolia	382	–	–	–	–	4,675	–	32,033	38,054	–	–	**75,144**	**18.48**
Socialist Republic of Vietnam	25,613	–	–	–	–	–	–	–	28,982	–	–	**54,595**	**13.43**
Republic of Bulgaria	45	–	–	1,274	2,824	2,818	10,835	–	32,347	–	204	**50,347**	**12.38**
Republic of Poland	8	342	–	1,399	3,228	–	–	–	8,911	–	1	**13,889**	**3.42**
Romania	236	1,736	–	5,277	668	–	–	–	1,617	–	–	**9,534**	**2.34**
Czech Republic	–	–	–	3,621	162	3,817	–	–	65	–	22	**7,687**	**1.89**
IFI[6]	2,866	–	–	1,339	1,318	–	–	–	–	–	–	**5,523**	**1.36**
Slovak Republic	–	–	–	–	1,447	–	–	–	587	–	–	**2,034**	**0.50**
Other countries	9,335	–	–	5,824	793	–	–	2,726	–	–	6,800	**25,478**	**6.27**
Total	**85,904**	**6,775**	**–**	**57,634**	**10,440**	**34,269**	**10,835**	**63,262**	**127,689**	**1,135**	**8,631**	**406,574**	**100**

Other countries are represented by the Netherlands, Kazakhstan, Latvia, Germany, Hungary, the Republic of Uzbekistan, Luxembourg, and Armenia, i.e. countries that carry out their operations in transactions with the Bank's member countries.

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[6] *IFI – international financial funds and institutions. As at 31 December 2022, IFI are represented by the Eurasian Development Bank, the European Investment Bank and the European Union.*

(EUR thousand)

24. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations as they fall due under normal or stress circumstances. Liquidity risk occurs where the maturities of assets and liabilities do not match.

The Bank maintains necessary liquidity levels with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Treasury is the key element in the Bank's system responsible for the liquidity management.

The tables below summarize the maturity profile of the Bank's financial liabilities as at 30 June 2023 and 31 December 2022 based on contractual undiscounted cash flows. Repayments which are subject to notice are treated as if notice were to be given immediately.

30 June 2023 (unaudited)	*On demand and less than 30 days*	*31 to 180 days*	*181 to 365 days*	*Over 365 days*	*Total gross amount of cash (inflow) outflow*	*Carrying amount*
Due to credit institutions	2,854	–	1,735	42,191	46,780	**38,980**
Due to customers	7,867	309	12,541	–	20,717	**20,408**
Debt securities issued	–	79,452	55,159	21,708	156,319	**145,507**
Other liabilities	7,162	–	–	–	7,162	**7,162**
Gross settled derivative financial instruments						
- *Inflow*	(2,100)	(10,979)	(21,680)	–	(34,759)	***(33,113)***
- *Outflow*	2,104	12,091	25,824	–	40,019	***39,541***
Total	**17,887**	**80,873**	**73,579**	**63,899**	**236,238**	**218,485**

31 December 2022	*On demand and less than 30 days*	*31 to 180 days*	*181 to 365 days*	*Over 365 days*	*Total gross amount of cash (inflow) outflow*	*Carrying amount*
Due to credit institutions	6,237	20,876	1,599	38,579	67,291	**65,121**
Due to customers	10,941	–	7,100	–	18,041	**18,041**
Debt securities issued	–	4,807	54,978	103,101	162,886	**152,190**
Other liabilities	9,812	2	3	4	9,821	**9,821**
Gross settled derivative financial instruments						
- *Inflow*	*(6,400)*	*(1,091)*	*(11,440)*	*(27,253)*	*(46,184)*	***(41,043)***
- *Outflow*	*6,465*	*426*	*12,474*	*25,824*	*45,189*	***43,180***
Total	**27,055**	**25,020**	**64,714**	**140,255**	**257,044**	**247,310**

The table below shows the contractual maturities of credit related contingencies. All outstanding credit related contingencies are included in the period, which contains the earliest date they can be drawn down:

	On demand and less than 1 month	*1 to 6 months*	*6 to 12 months*	*12 months to 5 years*	*Over 5 years*	*Total*
30 June 2023 (unaudited)	28,650	–	–	–	–	**28,650**
31 December 2022	43,935	1,166	–	–	–	**45,101**

(EUR thousand)

24. Risk management (continued)

Classification of assets and liabilities by maturity

The tables below show the analysis of all financial assets and financial liabilities of the Bank as at 30 June 2023 and 31 December 2022 by contractual maturity.

Quoted debt securities, which are highly liquid securities that can be sold by the Bank in the short-term on the arm-length basis, measured at fair value through other comprehensive income and at fair value through profit or loss and not pledged under repurchase agreements are classified as "On demand and less than 1 month." Other securities at fair value through other comprehensive income, which are not pledged under repurchase agreements, are classified as "6 to 12 months."

Securities at fair value through other comprehensive income, and securities at fair value through profit or loss pledged under repurchase agreements are presented on the basis of periods from the reporting date to the expiry date of the respective contractual obligations of the Bank.

Own securities issued on the market in Bulgaria are classified as "1 to 6 months", as they are to be early redeemed in August 2023 due to the planned withdrawal of Bulgaria from the Agreement on the Organization and Activities of IBEC.

30 June 2023 (unaudited)	***On demand and less than 1 month***	***1 to 6 months***	***6 to 12 months***	***12 months to 5 years***	***Over 5 years***	***Overdue***	***Total***
Cash and cash equivalents	67,085	–	–	–	–	–	**67,085**
Securities at fair value through profit or loss							
- Held by the Bank	*6,445*	–	–	–	–	–	***6,445***
Securities at fair value through other comprehensive income							
- Held by the Bank	*82,695*	–	*18,690*	–	–	–	***101,385***
Securities at amortized cost							
- Held by the Bank	–	*4,630*	*3,970*	*15,348*	*5,081*	*110*	***29,139***
Loans and deposits to banks	39,222	12,002	12,414	–	–	–	**63,638**
Loans to corporate customers	3,097	22,944	14,757	45,651	22,244	1,801	**110,494**
Derivative financial assets	603	–	–	–	–	–	**603**
Other financial assets	11,635	6	16	20	–	10,019	**21,696**
Total financial assets	**210,782**	**39,582**	**49,847**	**61,019**	**27,325**	**11,930**	**400,485**
Due to credit institutions	766	–	–	–	38,214	–	**38,980**
Due to customers	7,861	105	12,442	–	–	–	**20,408**
Derivative financial liabilities	4	1,579	4,845	–	–	–	**6,428**
Debt securities issued	–	75,097	52,550	17,860	–	–	**145,507**
Other financial liabilities	1,629	–	–	–	–	–	**1,629**
Total financial liabilities	**10,260**	**76,781**	**69,837**	**17,860**	**38,214**	**–**	**212,952**
Net position	**200,522**	**(37,199)**	**(19,990)**	**43,159**	**(10,889)**	**11,930**	**187,533**
Cumulative liquidity gap for financial instruments	**200,522**	**163,323**	**143,333**	**186,492**	**175,603**	**187,533**	**–**

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(EUR thousand)

24. Risk management (continued)

Classification of assets and liabilities by maturity (continued)

31 December 2022	*On demand and less than 1 month*	*1 to 6 months*	*6 to 12 months*	*12 months to 5 years*	*Over 5 years*	*Overdue*	*Total*
Cash and cash equivalents	88,461	–	–	–	–	–	**88,461**
Securities at fair value through profit or loss							
- Held by the Bank	*6,775*	–	–	–	–	–	***6,775***
Securities at fair value through other comprehensive income							
- Held by the Bank	*57,634*	–	–	–	–	–	***57,634***
- pledged under repurchase agreements	–	*10,440*	–	–	–	–	***10,440***
Securities at amortized cost							
- Held by the Bank	–	*12,403*	*4,675*	*15,320*	*1,761*	*110*	***34,269***
- Pledged under repurchase agreements	*5,055*	*5,780*	–	–	–	–	***10,835***
Loans and deposits to banks	31,655	22,467	–	9,140	–	–	**63,262**
Loans to corporate customers	29,814	4,803	19,325	49,898	23,785	64	**127,689**
Derivative financial assets	1,110	–	25	–	–	–	**1,135**
Other financial assets	8,195	–	–	90	–	346	**8,631**
Total financial assets	**228,699**	**55,893**	**24,025**	**74,448**	**25,546**	**520**	**409,131**
Due to credit institutions	5,193	20,823	–	–	39,105	–	**65,121**
Due to customers	10,941	–	7,100	–	–	–	**18,041**
Derivative financial liabilities	15	–	1,718	404	–	–	**2,137**
Debt securities issued	–	1,472	49,990	100,728	–	–	**152,190**
Other financial liabilities	2,313	2	3	4	–	–	**2,322**
Total financial liabilities	**18,462**	**22,297**	**58,811**	**101,136**	**39,105**	**–**	**239,811**
Net position	**210,237**	**33,596**	**(34,786)**	**(26,688)**	**(13,559)**	**520**	**169,320**
Cumulative liquidity gap for financial instruments	**210,237**	**243,833**	**209,047**	**182,359**	**168,800**	**169,320**	**–**

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk. The Board of the Management of the Bank sets limits on the level of risk that may be accepted and monitors the compliance on a regular basis.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such fluctuations but may also decrease or create losses in the event that unexpected movements occur.

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(EUR thousand)

24. Risk management (continued)

Interest rate risk (continued)

Interest rate risk is managed primarily by monitoring changes in interest rates. The summary of the interest rate gap for major financial instruments is as follows.

Interest rate sensitivity analysis

	30 June 2023 (unaudited)		***31 December 2022***	
	Profit or loss	***Equity***	***Profit or loss***	***Equity***
1 bp parallel fall	**(542)**	**(547)**	**(847)**	**(859)**
EUR	(243)	(249)	(331)	(343)
USD	(65)	(65)	(306)	(306)
RUB	(260)	(260)	(192)	(192)
Other currencies	26	27	(18)	(18)
1 bp parallel rise	**542**	**547**	**847**	**859**
EUR	243	249	331	343
USD	65	65	306	306
RUB	260	260	192	192
Other currencies	(26)	(27)	18	18

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(EUR thousand)

24. Risk management (continued)

Interest rate risk (continued)

Average interest rates

The following table shows weighted average interest rates for interest-bearing assets and liabilities as at 30 June 2023 and 31 December 2022. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	30 June 2023 (unaudited)					31 December 2022			
	Average interest rate, %					Average interest rate, %			
	EUR	USD	RUB	CNY	Other currencies	EUR	USD	RUB	Other currencies
Interest-bearing assets									
Correspondent accounts and short-term deposits with banks in IBEC member countries and banks in other countries	0.69	–	5.07	–	0.18	–	0.05	–	–
Securities at fair value through profit or loss									
- Held by the Bank	*1.53*	–	–	–	–	*1.53*	–	–	–
Securities at fair value through other comprehensive income									
- Held by the Bank	*2.39*	*3.32*	*9.63*	*3.80*	–	*2.63*	*3.32*	*7.35*	–
- Pledged under repurchase agreements	–	–	–	–	–	*1.49*	–	–	–
Securities at amortized cost									
- Held by the Bank	*2.56*	*7.79*	*12.40*	–	–	*3.25*	*7.79*	–	–
- Pledged under repurchase agreements	–	–	–	–	–	*3.18*	–	–	–
Loans and deposits to banks	7.96	3.13	6.68	8.00	(0.19)	5.97	3.70	6.99	–
Loans to corporate customers	7.46	4.30	11.19	–	–	5.87	5.36	10.86	12.77
Consumer lending	3.00	–	–	–	–	3.00	–	–	–
Interest-bearing liabilities									
Due to credit institutions	3.31	–	–	–	–	0.88	2.55	–	–
Correspondent accounts with banks in IBEC member countries and other credit institutions	(0.50)	–	2.60	–	–	(0.50)	–	2.52	–
Due to customers	0.67	2.88	7.49	–	–	0.67	2.82	2.02	–
Debt securities issued	–	–	8.40	–	1.15	–	–	7.95	1.15

(EUR thousand)

24. Risk management (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The policy of the Board is to use the conservative approach to foreign currency transactions, aimed at minimizing open currency positions in order to reduce the currency risk to an acceptable level. The currency positions are monitored by the Bank on a daily basis.

The table below shows the general analysis of the currency risk of the Bank for its financial assets and liabilities as at 30 June 2023:

	Note	*EUR*	*USD*	*RUB*	*CNY*	*Other*	*Total*
Cash and cash equivalents		18,984	1,411	27,400	19,265	25	**67,085**
Securities at fair value through profit or loss							
- Held by the Bank		6,445	–	–	–	–	**6,445**
Securities at fair value through other comprehensive income							
- Held by the Bank		58,757	11,949	28,166	2,513	–	**101,385**
Securities at amortized cost							
- Held by the Bank		15,395	12,319	1,425	–	–	**29,139**
Loans and deposits to banks		18,644	9,250	34,553	1,186	5	**63,638**
Loans to corporate customers		88,958	1,557	19,979	–	–	**110,494**
Other financial assets	13	11,599	416	9,569	–	112	**21,696**
Total financial assets		**218,782**	**36,902**	**121,092**	**22,964**	**142**	**399,882**
Due to credit institutions		38,374	11	595	–	–	**38,980**
Due to customers		9,270	109	11,024	5	–	**20,408**
Debt securities issued		–	–	110,763	–	34,744	**145,507**
Other financial liabilities	13	898	14	717	–	–	**1,629**
Total financial liabilities		**48,542**	**134**	**123,099**	**5**	**34,744**	**206,524**
Net balance sheet position		**170,240**	**36,768**	**(2,007)**	**22,959**	**(34,602)**	**193,358**
Net off-balance sheet position		**6,854**	**(18,130)**	**5,451**	**–**	**–**	**(5,825)**
Net balance sheet and off-balance sheet position		**177,094**	**18,638**	**3,444**	**22,959**	**(34,602)**	**187,533**

The table below shows the general analysis of the currency risk of the Bank for its financial assets and liabilities as at 31 December 2022:

	Note	*EUR*	*USD*	*RUB*	*Other*	*Total*
Cash and cash equivalents		14,185	33,645	11,909	28,722	**88,461**
Securities at fair value through profit or loss						
- Held by the Bank		6,775	–	–	–	**6,775**
Securities at fair value through other comprehensive income						
- Held by the Bank		34,884	10,176	12,574	–	**57,634**
- Pledged under repurchase agreements		10,440	–	–	–	**10,440**
Securities at amortized cost						
- Held by the Bank		21,547	12,722	–	–	**34,269**
- Pledged under repurchase agreements		10,835	–	–	–	**10,835**
Loans and deposits to banks		13,859	21,667	27,731	5	**63,262**
Loans to corporate customers		94,711	18,208	13,153	1,617	**127,689**
Other financial assets	13	6,926	800	706	199	**8,631**
Total financial assets		**214,162**	**97,218**	**66,073**	**30,543**	**407,996**
Due to credit institutions		39,332	25,653	136	–	**65,121**
Due to customers		10,613	268	6,064	1,096	**18,041**
Debt securities issued		–	–	117,474	34,716	**152,190**
Other financial liabilities	13	1,160	8	1,154	–	**2,322**
Total financial liabilities		**51,105**	**25,929**	**124,828**	**35,812**	**237,674**
Net balance sheet position		**163,057**	**71,289**	**(58,755)**	**(5,269)**	**170,322**
Net off-balance sheet position		**56,378**	**(51,145)**	**(6,235)**	**–**	**(1,002)**
Net balance sheet and off-balance sheet position		**219,435**	**20,144**	**(64,990)**	**(5,269)**	**169,320**

Raising funds in the Republic of Bulgaria in the form of debt securities issued in the amount of BGN 68 million (EUR 34,768 thousand at the currency exchange rate as at the date of issue) is recognized in other currencies. The official exchange rate of BGN to EUR is fixed and does not affect the Bank's gains (losses) on foreign currency translation and is set at 1.95583 for the purposes of these interim condensed financial statements.

(EUR thousand)

24. Risk management (continued)

Currency risk (continued)

As at 30 June 2023 and 31 December 2022, a weakening of the euro against the US dollar and the Russian ruble would have caused an increase (decrease) in equity and profit (or loss) as shown in the table below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The effect on the equity does not differ from the effect on the interim statement of profit or loss and other comprehensive income.

	30 June 2023 (unaudited)	***31 December 2022***
20% appreciation of USD against EUR	3,728	4,029
20% appreciation of RUB against EUR	689	(12,998)
20% depreciation of USD against EUR	(3,728)	(4,029)
20% depreciation of RUB against EUR	(689)	12,998

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. Operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through its control framework, monitoring and responses to potential risks, the Bank is able to control and mitigate them.

To reduce the negative impact of operational risks, the Bank accumulates and classifies information on operational risk events, creates a database of risk events, assesses and monitors risks, and prepares management reports. At the same time, according to the existing methodology, the Bank measures operational risk based on a basic indicator under Basel II recommendations.

25. Fair value measurement

Fair value measurement procedures

The Bank has methods and procedures to perform recurring fair value measurements for securities at fair value through profit or loss, securities at fair value through other comprehensive income and derivative financial instruments.

At each reporting date, the Bank analyzes the movements in the values of assets and liabilities which are required to be re-measured, or re-assessed as per the Bank's accounting policies. Fair value is measured based on the available market information (when additional professional judgments are used) and using valuation techniques applicable to an asset or liability.

External appraisers are engaged for valuation of significant assets, such as the Bank's building. Involvement of external appraisers is decided upon annually by the Board of the Management of the Bank. Selection criteria include market knowledge, reputation, independence and compliance with professional standards. The Bank, in conjunction with the external appraisers, compares each change in the fair value of the building with relevant external sources to determine whether the change is reasonable. The results are submitted to the Board of the Management of the Bank and independent auditors of the Bank. This includes a discussion of the major assumptions used in the valuations.

The fair value of the building is classified within Level 3 of the fair value hierarchy.

(EUR thousand)

25. Fair value measurement (continued)

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which all inputs which have a significant effect on the fair value recorded in the financial statements are observable, either directly or indirectly;
- Level 3: valuation techniques not based on observable market data, which use inputs that have a significant effect on the fair value recorded in the financial statements and that are not based on observable market data. If a fair value measurement uses observable inputs that require significant adjustment, the measurement is a Level 3 measurement. Significance of used inputs is assessed for aggregated fair value measurement.

Transfers between the levels of the fair value hierarchy are deemed to have been made as at the end of the reporting period.

The following tables show the analysis of financial instruments presented in the interim condensed financial statements at fair value by level of the fair value hierarchy as at 30 June 2023 and 31 December 2022:

	Fair value measurement using			
30 June 2023 (unaudited)	***Level 1 inputs***	***Level 2 inputs***	***Level 3 inputs***	***Total***
Assets measured at fair value				
Securities at fair value through profit or loss held by the Bank				
- Eurobonds of IBEC member countries	*3,533*	–	–	***3,533***
- Corporate Eurobonds	*2,196*	–	–	***2,196***
- Corporate bonds	*716*	–	–	***716***
Securities at fair value through other comprehensive income held by the Bank				
- Corporate bonds	*42,382*	–	–	***42,382***
- Corporate Eurobonds	*17,192*	–	*18,670*	***35,862***
- Eurobonds of IBEC member countries	*7,100*	–	–	***7,100***
- Bonds of IBEC member countries	*4,608*	–	–	***4,608***
- Eurobonds of banks	*280*	–	*3,587*	***3,867***
- Eurobonds of other countries	*3,718*	–	–	***3,718***
- Eurobonds of international financial institutions	*859*	–	*1,502*	***2,361***
- Bonds of banks	*1,487*	–	–	***1,487***
Derivative financial assets	–	603	–	**603**
Property, plant and equipment – building	–	–	49,609	**49,609**
	84,071	**603**	**73,368**	**158,042**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	–	67,085	**67,085**
Securities at amortized cost	–	–	29,139	**29,139**
Loans and deposits to banks	–	–	63,638	**63,638**
Loans to corporate customers	–	–	110,494	**110,494**
	–	**–**	**270,356**	**270,356**
Liabilities measured at fair value				
Derivative financial liabilities	–	6,428	–	**6,428**
Liabilities for which fair values are disclosed				
Due to credit institutions	–	–	38,980	**38,980**
Due to customers	–	–	20,408	**20,408**
Debt securities issued	–	–	145,507	**145,507**
	–	**–**	**204,895**	**204,895**

(EUR thousand)

25. Fair value measurement (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
31 December 2022	***Level 1 inputs***	***Level 2 inputs***	***Level 3 inputs***	***Total***
Assets measured at fair value				
Securities at fair value through profit or loss held by the Bank				
- *Eurobonds of IBEC member countries*	–	–	*3,958*	***3,958***
- *Corporate Eurobonds*	*2,078*	–	–	***2,078***
- *Corporate bonds*	*739*	–	–	***739***
Securities at fair value through other comprehensive income held by the Bank				
- *Corporate Eurobonds*	*19,086*	–	*16,087*	***35,173***
- *Eurobonds of IBEC member countries*	*3,708*	–	*4,838*	***8,546***
- *Bonds of IBEC member countries*	*6,001*	–	–	***6,001***
- *Corporate bonds*	*5,304*	–	–	***5,304***
- *Eurobonds of international financial institutions*	–	–	*1,339*	***1,339***
- *Eurobonds of banks*	–	–	*1,271*	***1,271***
Securities at fair value through other comprehensive income pledged under repurchase agreements				
- *Corporate Eurobonds*	*4,208*	–	–	***4,208***
- *Eurobonds of IBEC member countries*	*3,189*	–	–	***3,189***
- *Bonds of banks*	*1,447*	–	–	***1,447***
- *Eurobonds of international financial institutions*	*1,318*	–	–	***1,318***
- *Eurobonds of banks*	*278*	–	–	***278***
Derivative financial assets	–	1,135	–	**1,135**
Property, plant and equipment − building	–	–	50,093	**50,093**
	47,356	**1,135**	**77,586**	**126,077**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	–	88,461	**88,461**
Securities at amortized cost	–	–	45,104	**45,104**
Loans and deposits to banks	–	–	63,262	**63,262**
Loans to corporate customers	–	–	127,689	**127,689**
	–	**–**	**324,516**	**324,516**
Liabilities measured at fair value				
Derivative financial liabilities	–	2,137	–	**2,137**
Liabilities for which fair values are disclosed				
Due to credit institutions	–	–	65,121	**65,121**
Due to customers	–	–	18,041	**18,041**
Debt securities issued	–	–	152,190	**152,190**
	–	**–**	**235,352**	**235,352**

Derivative financial instruments

All derivative financial instruments are carried at fair value as assets when their fair value is positive and as liabilities when their fair value is negative. In accordance with IFRS 9, the fair value of an instrument at its origination is usually equal to the transaction price. If the transaction price differs from the amount determined at the origination of a financial instrument using valuation techniques, the difference is amortized on a straight-line basis over the life of the financial instrument.

Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and currency swaps. The most frequently applied valuation techniques include swap pricing models using present value calculations. The techniques incorporate various inputs including counterparties' creditworthiness, foreign exchange forward and spot rates and interest rate curves.

Derivatives valued using projected capacity valuation technique with significant unobservable inputs are mainly long-term option contracts. These derivatives are valued using the binomial model. These techniques incorporate various non-observable assumptions, including market rate volatility.

(EUR thousand)

25. Fair value measurement (continued)

Securities at fair value

Securities at fair value valued using a valuation technique consist of debt securities. Such assets are valued using techniques which incorporate either only observable data or both observable and unobservable data. The non-observable inputs include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Transfers between Level 1 and Level 2

During the six months ended 30 June 2023 and 30 June 2022, there were no transfers from Level 1 to Level 2 and from Level 2 to Level 1.

Movements in Level 3 financial instruments

The following table shows transfers between Level 1 and Level 3 of the fair value hierarchy for the six months ended 30 June 2023:

	Transfers from Level 1 to Level 3
Financial assets	
Securities at fair value through other comprehensive income held by the Bank	
- Corporate Eurobonds	4,941
Total	**4,941**

During the six months ended 30 June 2023, no assets were classified to Level 3 financial instruments of the fair value hierarchy.

The following table shows transfers between Level 3 and Level 1 of the fair value hierarchy for financial assets measured at fair value for the six months ended 30 June 2023 in connection with the transfer of securities to a depository for free and liquid settlements:

	Transfers from Level 3 to Level 1
Financial assets	
Securities at fair value through profit or loss held by the Bank	
- Eurobonds of IBEC member countries	3,533
Securities at fair value through other comprehensive income held by the Bank	
- Eurobonds of IBEC member countries	4,319
Total	**7,852**

The following table shows transfers between Level 1 and Level 3 of the fair value hierarchy for financial assets measured at fair value for the six months ended 30 June 2022:

	Transfers from Level 1 to Level 3
Financial assets	
Securities at fair value through other comprehensive income held by the Bank	
- corporate Eurobonds	20,683
- Eurobonds of banks	4,139
- Eurobonds of IBEC member countries	3,521
- Eurobonds of international financial institutions	1,126
Total	**29,469**

(EUR thousand)

25. Fair value measurement (continued)

Securities at fair value (continued)

During the six months ended 30 June 2022, the Bank acquired the following assets and classified them in Level 3 financial instruments of the fair value hierarchy.

	Level 3
Financial assets	
Securities at fair value through profit or loss held by the Bank	
- Eurobonds of IBEC member countries	3,521
- Corporate Eurobonds	809
Securities at fair value through other comprehensive income held by the Bank	
- Corporate Eurobonds	95
Total	**4,425**

During the six months ended 30 June 2022, there were no transfers from Level 3 to Level 1 of the fair value hierarchy.

The following tables show a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value for the period ending 30 June 2023:

	At 1 January 2023	*Total gain/(loss) recorded in profit or loss*	*Total gains/(losses) recorded in other compre-hensive income*	*Purchases*	*Sales*	*Settlements*	*Transfers to (from) Level 1 and 2*	*At 30 June 2023 (unaudited)*
Financial assets								
Securities at fair value through profit or loss	3,958	(425)	–	–	–	–	(3,533)	–
Securities at fair value through other comprehensive income	23,535	75	3,386	–	(3,473)	(386)	622	23,759
Property, plant and equipment – building	50,093	(519)	–	35	–	–	–	49,609
Total Level 3 financial assets	**77,586**	**(869)**	**3,386**	**35**	**(3,473)**	**(386)**	**(2,911)**	**73,368**
Total net Level 3 financial assets	**77,586**	**(869)**	**3,386**	**35**	**(3,473)**	**(386)**	**(2,911)**	**73,368**

The following tables show a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value for the period ending 30 June 2022:

	At 1 January 2022	*Total gain/(loss) recorded in profit or loss*	*Total gains/(losses) recorded in other compre-hensive income*	*Purchases*	*Sales*	*Settlements*	*Transfers to (from) Level 1 and 2*	*At 30 June 2022 (unaudited)*
Financial assets								
Securities at fair value through profit or loss	–	–	–	4,330	–	–	–	4,330
Securities at fair value through other comprehensive income	–	–	–	95	–	–	29,469	29,564
Property, plant and equipment – building	49,150	(488)	–	138	–	–	–	48,800
Total Level 3 financial assets	**49,150**	**(488)**	**–**	**4,563**	**–**	**–**	**29,469**	**82,694**
Total net Level 3 financial assets	**49,150**	**(488)**	**–**	**4,563**	**–**	**–**	**29,469**	**82,694**

(EUR thousand)

25. Fair value measurement (continued)

Fair value of financial assets and liabilities not recorded at fair value

As at 30 June 2023 and 31 December 2022, the fair value of financial assets and liabilities not carried at fair value in the interim statement of financial position did not differ significantly from their carrying amount. Financial assets and liabilities not recorded at fair value in the interim statement of financial position include loans and deposits to banks, loans to corporate customers, amounts due to credit institutions, amounts due to customers, debt securities issued and securities measured at amortized cost.

26. Segment reporting

For the purposes of managing operating activities, making decisions on resource allocation and assessing performance, the Bank is organized into three operating segments based on its mission of assisting in developing market economic relations among business entities in IBEC member countries:

Development portfolio — Providing investment banking services, including the provision of corporate financing (less impaired credit projects) and interbank financing to fund the foreign trade activities of companies from IBEC member countries as well as investments in debt securities purchased at initial placement by issuers from the Bank's member countries to support the operations of the Bank's member countries (inter alia, taking into account the period of withdrawal of countries from the Agreement on the Organization and Activities of the International Bank for Economic Co-operation); raising corporate and interbank financing from counterparties from member countries.

If at the time of a transaction, the risk country for the entity was the Bank's member country, this transaction remains in the development portfolio up to the date of repayment irrespective of whether the country has withdrawn from the Agreement on the Organization and Activities of the International Bank for Economic Co-operation.

Other banking activities — Providing investment banking services, including term interbank financing as well as investments in debt securities (not included in the development portfolio), handling derivative financial instruments and foreign currency, managing liquidity, raising corporate and interbank financing from counterparties from non-member countries (inter alia, taking into account the period of withdrawal of countries from the Agreement on the Organization and Activities of the International Bank for Economic Co-operation), lending to corporate customers of the non-performing loan category, trust management.

Other activities — Lease services and other activities.

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(EUR thousand)

26. Segment reporting (continued)

Management monitors operating results of each segment separately to make decisions on allocation of resources and to access their operating performance. Segment performance is measured on the basis of operating profit or loss, which is calculated differently from operating profit or loss recorded in the interim condensed financial statements, as indicated in the table below.

Income and expense by segment and profit for the six months ended 30 June 2023 and 30 June 2022, respectively, are shown in the table below:

Six months ended 30 June 2023 (unaudited)	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income calculated using the EIR method	5,506	2,926	2	**8,434**
Other interest income	30	34	–	**64**
Interest expense	(3,510)	(29)	(33)	**(3,572)**
Net interest income (expense)	**2,026**	**2,931**	**(31)**	**4,926**
Allowance for expected credit losses from financial assets	4,490	(8,971)	–	**(4,481)**
Net interest income (expense) after allowance for expected credit losses	**6,516**	**(6,040)**	**(31)**	**445**
Net fee and commission income (expense)	154	(194)	–	**(40)**
Net losses from operations with securities at fair value through profit or loss	(203)	(131)	–	**(334)**
Net losses from operations with securities at fair value through other comprehensive income	(144)	(337)	–	**(481)**
Net losses from operations with securities at amortized cost	(250)	–	–	**(250)**
Net losses from operations with loans at amortized cost	–	–	–	**–**
Net gains (losses) from operations with derivative financial instruments and foreign currency	16,045	(9,559)	83	**6,569**
Lease income	–	–	978	**978**
Other banking income	–	89	271	**360**
Net losses from disposal of property, plant and equipment	–	–	(7)	**(7)**
Other provisions	–	–	(41)	**(41)**
Other banking expenses	(1)	(7)	–	**(8)**
Segment profit (loss)	**22,117**	**(16,179)**	**1,253**	**7,191**

Six months ended 30 June 2022 (unaudited)	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income calculated using the EIR method	8,894	1,804	3	**10,701**
Other interest income	58	37	–	**95**
Interest expense	(6,093)	(883)	(35)	**(7,011)**
Net interest income (expense)	**2,859**	**958**	**(32)**	**3,785**
Allowance for expected credit losses from financial assets	(14,726)	(4,188)	–	**(18,914)**
Net interest expense after allowance for expected credit losses	**(11,867)**	**(3,230)**	**(32)**	**(15,129)**
Net fee and commission income (expense)	996	(130)	–	**866**
Net losses from operations with securities at fair value through profit or loss	(1,268)	(1,055)	–	**(2,323)**
Net losses from operations with securities at fair value through other comprehensive income	(6,714)	(6,093)	–	**(12,807)**
Net losses from operations with securities at amortized cost	(2,263)	(175)	–	**(2,438)**
Net losses from operations with loans at amortized cost	(2,880)	–	–	**(2,880)**
Net losses from operations with derivative financial instruments and foreign currency	(62,458)	(7,826)	(280)	**(70,564)**
Lease income	–	–	1,155	**1,155**
Other banking income	8	55	294	**357**
Other provisions	–	–	(154)	**(154)**
Other banking expenses	(477)	(29)	(1)	**(507)**
Segment (loss) profit	**(86,923)**	**(18,483)**	**982**	**(104,424)**

(EUR thousand)

26. Segment reporting (continued)

The reconciliation of total of the segments' profit to the Bank's profit is as follows:

	For the six months ended 30 June (unaudited)	
	2023	***2022***
Total segment profit (loss)	**7,191**	**(104,424)**
Other unallocated expenses	(5,958)	(6,311)
Profit (loss) for the period	**1,233**	**(110,735)**

Assets and liabilities of the Bank's operating segments are presented below:

	Development portfolio	***Other banking activities***	***Other activities***	***Total***
Segment assets				
30 June 2023 (unaudited)	199,360	200,512	52,899	**452,771**
31 December 2022	201,858	206,474	53,732	**462,064**
Segment liabilities				
30 June 2023 (unaudited)	204,248	10,025	4,212	**218,485**
31 December 2022	212,312	29,642	5,356	**247,310**
Credit-related commitments				
30 June 2023 (unaudited)	28,650	–	–	**28,650**
31 December 2022	45,101	–	–	**45,101**

During the six months ended 30 June 2023, the Bank's revenue from lease operations with one external counterparty (30 June 2022: three external counterparties) exceeded 20% of the Bank's income for six months ended 30 June 2023: EUR 495 thousand (30 June 2022: EUR 1,047 thousand).

Segment revenue from contracts with external customers that are within the scope of IFRS 15 for the six months ended 30 June 2023 and 30 June 2022 is as follows:

Six months ended 30 June 2023 (unaudited)	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income	5,536	2,960	2	**8,498**
Fee and commission income	471	10	–	**481**
- Documentary operations	*309*	–	–	**309**
- Fee for servicing a loan/credit facility	*126*	–	–	**126**
- Accounts maintenance	*15*	*5*	–	**20**
- Cash and settlement operations	*11*	*3*	–	**14**
- Currency control	*10*	*2*	–	**12**
Lease income	–	–	978	**978**
Total revenue from contracts with customers	**6,007**	**2,970**	**980**	**9,957**

Six months ended 30 June 2022 (unaudited)	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income	8,952	1,841	3	**10,796**
Fee and commission income	1,128	5	–	**1,133**
- Documentary operations	*984*	–	–	***984***
- Fee for servicing a loan/credit facility	*94*	–	–	***94***
- Accounts maintenance	*18*	*4*	–	***22***
- Cash and settlement operations	*20*	*1*	–	***21***
- Currency control	*12*	–	–	***12***
Lease income	–	–	1,155	**1,155**
Total revenue from contracts with customers	**10,080**	**1,846**	**1,158**	**13,084**

(EUR thousand)

27. Related party transactions

For the purposes of these interim condensed financial statements, parties are considered related if one of them has a possibility to control the other party or exercise significant influence over the other party in making strategic, financial or operational decisions as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions with the Bank's key management personnel

During the six months ended 30 June 2023, remuneration to the key management personnel of the Bank amounted to EUR 677 thousand (30 June 2022: EUR 843 thousand). Remuneration to the key management personnel of the Bank includes contributions to the Social Fund of the Russian Federation (prior to 2023 – the Pension Fund and the Compulsory Medical Insurance Fund of the Russian Federation) in the amount of EUR 26 thousand (30 June 2022: EUR 33 thousand), the pension funds in IBEC member countries in the amount of EUR 4 thousand (30 June 2022: EUR 11 thousand).

As at 30 June 2023 and 31 December 2022, balances on the accounts of the Bank's key management personnel were as follows:

	30 June 2023 (unaudited)	*31 December 2022*
Current accounts	146	139

Transactions with government-related companies

A government-related company is a company under control, joint control or significant influence of the government of an IBEC member country. The Bank carries out operations with member countries which have a significant impact on the Bank, and in the ordinary course of business, the Bank enters into contractual relations with government-related companies.

The table below discloses significant transactions with government-related companies:

Interim statement of financial position	*30 June 2023 (unaudited)*	*31 December 2022*
Assets		
Cash and cash equivalents	31,180	72,575
Securities at fair value through profit or loss	4,249	4,697
Securities at fair value through other comprehensive income	63,331	46,117
Securities at amortized cost	20,026	37,056
Loans and deposits to banks	32,758	39,718
Loans to corporate customers	40,675	45,092
Derivative financial assets	603	1,135
Other assets	4,906	781
Liabilities		
Due to credit institutions	38,304	39,106
Due to customers	7,565	7,506
Derivative financial liabilities	6,428	2,123
Other liabilities	115	147

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(EUR thousand)

27. Related party transactions (continued)

Transactions with government-related companies (continued)

Amounts included in the interim statement of profit or loss and other comprehensive income for transactions with government-related companies for the six months ended 30 June 2023 and 30 June 2022 are as follows:

Interim statement of profit or loss and other comprehensive income	***For the six months ended 30 June (unaudited)***	
	2023	***2022***
Interest income calculated using the EIR method	4,222	4,723
Other interest income	34	54
Interest expense	(154)	(3,034)
Allowance for expected credit losses from financial assets	(1,766)	(13,132)
Fee and commission income	4	7
Fee and commission expense	(34)	(60)
Net losses from operations with securities at fair value through profit or loss	(483)	(1,443)
Net losses from operations with securities at fair value through other comprehensive income	(208)	(8,849)
Net losses from operations with securities at amortized cost	–	(219)
Net losses from operations with derivative financial instruments and foreign currency	(7,626)	(1,728)
Lease income	973	1,108
Other banking income	50	63
Administrative and management expenses	(151)	(164)
Other banking expenses	–	(31)

28. Capital adequacy

The Bank manages capital adequacy to cover risks inherent in banking business. The adequacy of the Bank's capital is monitored using, among other measures, the methods, principles and ratios established by the Basel Capital Accord.

The primary objective of the Bank's capital management is to ensure that the Bank maintains the required level of capital adequacy in order to support its business.

The Bank's capital adequacy ratio approved by the Council of the Bank is established at not less than 25%.

The Bank manages its capital structure and makes adjustments to it when economic conditions and the risk characteristics of its activities change.

The Bank's capital adequacy ratio as at 30 June 2023 and 31 December 2022 comprised 51.6% and 41.4%, respectively.

The table below shows the composition of the Bank's capital computed in accordance with the Basel Accord (Basel II) as at 30 June 2023 and 31 December 2022:

	30 June 2023 (unaudited)	***31 December 2022***
Capital	234,286	214,754
Total capital	**234,286**	**214,754**
Risk-weighted assets		
Credit risk	367,595	405,341
Market risk	75,520	102,206
Operational risk	10,921	10,921
Total risk-weighted assets	**454,036**	**518,468**

(EUR thousand)

29. Events after the reporting period

On 17 August 2023, the Republic of Bulgaria withdrew from the Agreement on the Organization and Activities of IBEC. As at the date of signing the interim condensed financial statements, no bilateral agreements were signed with the countries that withdrew. IBEC's paid-in capital was not reduced and the shares were distributed as follows:

	17 August 2023	%
Member countries of the Bank	**106,605**	**53.30**
Russian Federation	103,179	51.59
Mongolia	2,668	1.33
Socialist Republic of Vietnam	758	0.38
Withdrawing countries	**93,395**	**46.70**
Czech Republic	26,684	13.34
Republic of Poland	24,016	12.01
Republic of Bulgaria	15,121	7.56
Romania	14,232	7.12
Slovak Republic	13,342	6.67
Total	**200,000**	**100.00**