IBEC
INTERNATIONAL BANK
FOR ECONOMIC CO-OPERATION

International Bank for Economic Co-operation

Financial statements

for the year 2024

Contents

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Independent auditor's report

To the Council of International Bank
for Economic Co-operation

Opinion

We have audited the financial statements of International Bank for Economic Co-operation (hereinafter, the "Bank"), which comprise the statement of financial position as of 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the ethical requirements of the Code of professional ethics for auditors and the Independence rules of auditors and audit organizations that are relevant to our audit of the financial statements in the Russian Federation together with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans to customers	
Estimation of the allowance for expected credit losses on loans to customers is a key area of judgement for the Bank's management. Identification of factors of significant credit risk increase and the determination of expected credit losses require significant use of judgment, assumptions and analysis of various factors, including financial and non-financial information by counterparty, macroeconomic projections and assessment of the expected future cash flows on loans to customers, including from the disposal of collateral. The use of various models and assumptions can significantly affect the level of allowance for expected credit losses on loans to customers. Due to the significance of loans to customers and the complexity of judgments used with regard to expected credit losses in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), the estimation of the allowance for expected credit losses was one of the key audit matters. Information on expected credit losses on loans to customers and the approach of the Bank's management to assessing allowance for expected credit losses on loans to customers are presented in Note 10 "Loans to corporate customers" to corporate customers, Note 23 "Allowance for expected credit losses", Note 25 "Risk management" and Note 31 "Significant accounting policies" to the financial statements.	In the course of our audit, we analyzed the methodology for estimating the allowance developed by the Bank in accordance with IFRS 9. Our audit procedures included a review of the financial and non-financial information by counterparty, debt servicing, internal credit ratings of counterparties, factors of significant credit risk increase and also a calculation of default probability based on the Bank's methodology, an analysis of macroeconomic projections. In the course of our audit procedures we analyzed the expected future cash flows on loans to customers. We also assessed information disclosed in the notes to the financial statements with regard to the allowance for expected credit losses on loans to customers.

Other information included in the Annual Report

Other information consists of the information included in the Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Council of International Bank for Economic Co-operation for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Council of International Bank for Economic Co-operation is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

NEW CHALLENGES
NEW SOLUTIONS

We communicate with the Council of International Bank for Economic Co-operation regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Council of International Bank for Economic Co-operation with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Council of International Bank for Economic Co-operation, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Shinin Gennady Aleksandrovich.

Shinin Gennady Aleksandrovich,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney dated 29 February 2024,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 22006013387)

19 February 2025

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, 75.
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 audited 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 under No. 7388.
Address: Russia 107996, Mashi Poryvaevoy street, 11, GSP-6.

Statement of financial position

as at 31 December 2024

(EUR thousand)

	Note	2024	2023
Assets			
Cash and cash equivalents	5	17,176	21,559
Securities at fair value through profit or loss	6	4,190	4,555
- held by the Bank		*4,190*	*1,646*
- pledged under repurchase agreements		–	*2,909*
Securities at fair value through other comprehensive income	7	186,370	172,332
- held by the Bank		*186,370*	*109,971*
- pledged under repurchase agreements		–	*62,361*
Due from banks and financial institutions	8	45,742	94,439
- loans issued to banks under trade financing		*37,019*	*32,343*
- short-term deposits with financial institutions		*4,735*	*22,015*
- short-term deposits with banks of the member countries		2,064	22,579
- due from financial institutions		1,924	1,354
- short-term deposits with banks in other countries		–	16,148
Securities at amortized cost	9	36,220	36,981
Loans to corporate customers	10	143,129	126,949
Derivative financial assets	11	1,356	–
Property, plant and equipment, intangible assets and right-of-use assets	12	51,014	52,249
Other assets	13	948	9,782
Total assets		**486,145**	**518,846**
Liabilities			
Due to financial institutions	14	54,598	99,105
Due to customers	15	70,210	22,581
Derivative financial liabilities	11	257	6,255
Debt securities issued	16	141,874	147,073
Other liabilities	13	6,995	10,694
Total liabilities		**273,934**	**285,708**
Equity			
Paid-in capital	17	199,923	200,000
Revaluation reserve for securities at fair value through other comprehensive income		(23,656)	(448)
Revaluation reserve for property, plant and equipment		22,914	23,115
Cash flow hedge reserve	11	–	312
Retained earnings less net profit for the year		8,352	7,636
Net profit for the year		4,678	2,523
Total equity		**212,211**	**233,138**
Total liabilities and equity		**486,145**	**518,846**
Off-balance sheet commitments			
Credit-related commitments	18	90,329	60,119

Denis Ivanov — Chairman of the Board

Inna Zheleznova — Director of the Financial Department

19 February 2025

МБЭС
Международный банк экономического сотрудничества
Москва

The accompanying notes 1-31 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the year 2024

(EUR thousand)

	Note	*2024*	*2023*
Interest income calculated using the EIR method		47,455	21,616
Other interest income		69	118
Interest expense		(39,580)	(10,507)
Net interest income	19	**7,944**	**11,227**
Reversal of allowance (allowance) for expected credit losses from financial assets	23	6,464	(3,771)
Net interest income after allowance for expected credit losses		**14,408**	**7,456**
Fee and commission income		1,632	1,131
Fee and commission expense		(805)	(951)
Net fee and commission income	20	**827**	**180**
Net losses from operations with securities at fair value through profit or loss		(365)	(10)
Net losses from operations with securities at fair value through other comprehensive income	21	(167)	(2,050)
Net losses from operations with securities at amortized cost	8	(642)	(402)
Net gains (losses) from operations with derivative financial instruments and foreign currency			
- *Dealing*	11	*(139)*	*6,971*
- *Revaluation of currency items*		*3,747*	*717*
Lease income		1,546	1,709
Other banking income		432	552
Administrative and management expenses	22	(14,016)	(12,275)
Net losses from disposal of property, plant and equipment		(3)	(13)
Other provisions	24	(72)	(47)
Other banking expenses		(878)	(265)
Profit for the year		**4,678**	**2,523**
Other comprehensive (loss) income			
Items that are or may be subsequently reclassified to profit or loss			
Unrealized (losses) gains from operations with securities at fair value through other comprehensive income		(20,312)	11,685
Realized losses from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	21	151	2,219
Change in allowance for expected credit losses		(3,047)	497
Net (losses) gains from cash flow hedges	11	(312)	1,460
Total items that are or may be subsequently reclassified to profit or loss		**(23,520)**	**15,861**
Items that may not be subsequently reclassified to profit or loss			
Revaluation of property, plant and equipment		(201)	–
Total items which may not be subsequently reclassified to profit or loss		**(201)**	**–**
Total other comprehensive (loss) income		**(23,721)**	**15,861**
Total comprehensive (loss) income for the year		**(19,043)**	**18,384**

Statement of changes in equity

for the year 2024

(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 2024	**200,000**	**(448)**	**23,115**	**312**	**10,159**	**233,138**
Net profit for the year	**–**	**–**	**–**	**–**	**4,678**	**4,678**
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	–	(20,312)	–	–	–	**(20,312)**
Realized gains from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	–	151	–	–	–	**151**
Change in allowance for expected credit losses	–	(3,047)	–	–	–	**(3,047)**
Net unrealized gains from cash flow hedges	–	–	–	275	–	**275**
Net gains from cash flow hedges, reclassified to profit or loss	–	–	–	(587)	–	**(587)**
Total items that are or may be subsequently reclassified to profit or loss	**–**	**(23,208)**	**–**	**(312)**	**–**	**(23,520)**
Items that may not be subsequently reclassified to profit or loss						
Revaluation of property, plant and equipment	–	–	(201)	–	–	**(201)**
Total items which may not be subsequently reclassified to profit or loss	**–**	**–**	**(201)**	**–**	**–**	**(201)**
Total other comprehensive loss	**–**	**(23,208)**	**(201)**	**(312)**	**–**	**(23,721)**
Total comprehensive loss for the year	**–**	**(23,208)**	**(201)**	**(312)**	**4,678**	**(19,043)**
Payments to withdrawn countries (Note 17)	(77)				77	**–**
Liabilities to the withdrawn countries (Note 17)	–	–	–	–	(1,884)	**(1,884)**
31 December 2024	**199,923**	**(23,656)**	**22,914**	**–**	**13,030**	**212,211**

The accompanying notes 1-31 are an integral part of these financial statements.

Statement of changes in equity

for the year 2024 (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 2023	**200,000**	**(14,849)**	**23,115**	**(1,148)**	**7,636**	**214,754**
Net loss for the year	**–**	**–**	**–**	**–**	**2,523**	**2,523**
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	–	11,685	–	–	–	**11,685**
Realized losses from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	–	2,219	–	–	–	**2,219**
Change in allowance for expected credit losses	–	497	–	–	–	**497**
Net unrealized gains (losses) from cash flow hedges	–	–	–	(3,965)	–	**(3,965)**
Net (gains) losses from cash flow hedges, reclassified to profit or loss	–	–	–	5,425	–	**5,425**
Total items that are or may be subsequently reclassified to profit or loss	**–**	**14,401**	**–**	**1,460**	**–**	**15,861**
Items that may not be subsequently reclassified to profit or loss						
Revaluation of property, plant and equipment	–	–	–	–	–	**–**
Total items which may not be subsequently reclassified to profit or loss	**–**	**–**	**–**	**–**	**–**	**–**
Total other comprehensive income	**–**	**14,401**	**–**	**1,460**	**–**	**15,861**
Total comprehensive income for the year	**–**	**14,401**	**–**	**1,460**	**2,523**	**18,384**
31 December 2023	**200,000**	**(448)**	**23,115**	**312**	**10,159**	**233,138**

The accompanying notes 1-31 are an integral part of these financial statements.

Statement of cash flows

for the year 2024

(EUR thousand)

	Note	2024	2023
Cash flows from operating activities			
Profit for the year		**4,678**	**2,523**
Adjustments for:			
Accrued interest receivable		(3,030)	(1,769)
Accrued interest payable		3,423	(1,191)
Other accrued income receivable		34	226
Other accrued expenses payable		863	(365)
Depreciation and amortization	22	1,362	1,390
Allowances for expected credit losses from financial assets	23	(6,464)	3,771
Other provisions	24	72	47
Remeasurement of securities at fair value through profit or loss		365	(757)
Revaluation of currency items		(3,747)	(1,233)
Fair value remeasurement of hedges		–	516
Net losses from operations with securities at fair value through other comprehensive income	21	167	2,050
Net gains from disposal of property, plant and equipment		3	13
Cash (used in) from operating activities before changes in operating assets and liabilities		**(2,274)**	**5,221**
(Increase) decrease in operating assets			
Securities at fair value through profit or loss		–	766
Due from banks and financial institutions		48,214	(29,528)
Loans to corporate customers		(23,508)	2,541
Other assets		9,839	(2,044)
Increase (decrease) in operating liabilities			
Due to financial institutions		(38,758)	36,266
Due to customers		48,763	6,322
Other liabilities		(6,197)	7,659
Net cash from operating activities		**36,079**	**27,203**
Cash flows from investing activities			
Sales of securities at fair value through profit or loss		–	2,158
Purchases of securities at fair value through other comprehensive income		(131,139)	(134,877)
Sales of securities at fair value through other comprehensive income		91,743	36,224
Purchases of securities at amortized cost		(19,531)	(19,318)
Proceeds from redemption of securities at amortized cost		18,726	8,207
Purchases of property, plant and equipment		(334)	(808)
Net cash used in investing activities		**(40,535)**	**(108,414)**

The accompanying notes 1-31 are an integral part of these financial statements.

Statement of cash flows

for the year 2024 (continued)

(EUR thousand)

	Note	2024	2023
Cash flows from financing activities			
Proceeds from bonds issued	16	52,015	95,040
Redemption of bonds	16	(50,294)	(69,260)
Long-term financing repaid to banks		(2,880)	(2,304)
Liabilities to the withdrawn countries		(77)	–
Net cash (used in) from financing activities		**(1,236)**	**23,476**
Net decrease in cash and cash equivalents before translation differences		**(5,692)**	**(57,735)**
Effect of changes in exchange rates on cash and cash equivalents		1,307	(9,173)
Effect of changes in expected credit losses on cash and cash equivalents		2	6
Net decrease in cash and cash equivalents		**(4,383)**	**(66,902)**
Cash and cash equivalents at 31 December of the preceding the reporting period	5	21,559	88,461
Cash and cash equivalents at 31 December of the reporting year	5	**17,176**	**21,559**
Additional information			
Interest received		44,494	19,965
Interest paid		(36,157)	(11,698)

(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 on the Organization and Activities of the International Bank for Economic Co-operation (registered with the United Nations Secretariat on 20 August 1964) (hereinafter, the "Agreement") and the Statutes of IBEC.

The Bank's mission is to develop international supply chains in accordance with the needs of member countries through providing a full set of tools to corporate sector and financial institutes to support trade operations.

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, financial and other institutions;
- Other banking operations.

As at 31 December 2024, members of the Bank are three countries (hereinafter, the "the member countries"): the Socialist Republic of Vietnam, Mongolia and the Russian Federation (31 December 2023: three countries: the Socialist Republic of Vietnam, Mongolia and the Russian Federation). In accordance with Article 20 of the Statutes of IBEC, each member country has one vote regardless of the amount of its contribution to the Bank's share capital (Note 17).

Owing to the supranational status of the Bank, the restrictive measures, imposed on the Russian Federation 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, 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 its full exemption from any effects of restrictive counter-sanctions.

In 2024, several events occurred that were significant for the development of the Bank's operations, expansion of its partner network and enhancement of the IBEC brand recognition across the business community:

- On 19 February 2024, Analytical Credit Rating Agency (ACRA) confirmed the credit rating of IBEC at BBB+, with a stable outlook, under the international scale and at AAA(RU), with a stable outlook, under the national scale for the Russian Federation, as well as the AAA(RU) rating for IBEC bond issue series 001P-02. On 9 August 2024, ACRA again confirmed the credit rating of IBEC at BBB+, with a stable outlook, under the international scale and at AAA(RU), with a stable outlook, under the national scale for the Russian Federation, as well as the AAA(RU) rating for IBEC bond issues series 001P-02 and 002P-03.
- In late May 2024, the IBEC delegation visited Mongolia with a business mission. The Bank's representatives participated in a number of meetings and negotiations with key partners and held a business event for Mongolian companies with the support of the Mongolian Chamber of Commerce. The discussions were focused on the Bank's current projects with the member country, as well as prospects of future cooperation with corporate customers and financial institutions of Mongolia.

(EUR thousand)

1. Principal activities of the Bank (continued)

- In May 2024, at the 143rd meeting of the IBEC's Council in Ulan Bator, the Bank's shareholders approved a new IBEC's strategy for 2024–2026 (hereinafter, the "Strategy") providing for the adoption of an updated business model that is focused on solving specific tasks to develop trade in the target industries of the IBEC member countries. According to the Strategy, South and East Asia are prioritized for the IBEC's development.
- On 4 July 2024, China Chengxin International Credit Rating Co. Ltd (CCXI) assigned IBEC the highest AAA issuer credit rating on the national scale, with a stable outlook.
- IBEC and the State Development Bank of the Kyrgyz Republic signed a memorandum of understanding, which is primarily aimed at supporting sustainable foreign trade between Kyrgyzstan and the IBEC member countries. The key objective of signing the memorandum is to support bilateral and multilateral projects implemented in the Kyrgyz Republic and in the IBEC member countries. The document also envisages the exchange of experience and best practices in banking services and development products.
- IBEC issued a CNY 11.5 million (equivalent to EUR 1.5 million on of the date of financing) special-purpose trade loan maturing in one year to a Mongolian financial institution to finance electric vehicles deliveries and sales. This transaction facilitates the development of green technologies and increases the sustainability of the Mongolian economy.
- IBEC continued supporting the pharmaceutical industry of its member country. In 2024, the Bank issued payment guarantees on behalf of a number of large pharmaceutical distributors for the total amount of about RUB 5.8 billion (equivalent to EUR 55.7 million taking into account the exchange rate on the date of issuing the guarantees) in addition to extended guarantees of nearly RUB 3.1 billion (equivalent to EUR 29.9 million, taking into account the exchange rate on the date of the guarantee extension) and issued special-purpose trade loans of RUB 2.3 billion (equivalent to EUR 22.8 million, taking into account the exchange rate on the date of financing) to pharmaceutical companies. IBEC's support helps to ensure seamless supply of medicines and pharmaceutical products of the world's largest producers to pharmacies and medical institutions of this country (including those specializing in oncology, hematology, neurology and cardiology).
- IBEC selectively provided trade financing in the national currencies of the member countries (Mongolia and Vietnam) for the total amount equivalent to EUR 2.9 million to support scientific and infrastructure projects in these countries.
- In 2024, as a part of diversification of the Bank's loan portfolio by industry, IBEC approved credit limits and started to provide financing to leasing and e-trade companies, which also helps to support the SME sector.
- As a part of its mission, in 2024, IBEC provided financing of more than EUR 18 million (about 8% of all new credit and documentary projects financed) for new projects within its development portfolio, which is in the interest of at least two member countries.

According to the current Strategy, the Bank intends to form and develop internal competencies that will help it to assess its trade operations and develop an internal methodology based on the best operational practices of the International Chamber of Commerce (ICC). Therefore, IBEC developed internal criteria to determine whether the IBEC's trade finance products and operations are sustainable to ensure efficient, reliable and transparent assessment. As a result, on 14 November 2024, the IBEC's Board approved *Key Principles to Assess the Sustainability of IBEC's Operations* (hereinafter, the "Assessment Principles").

The IBEC's approach to assessing the sustainability of its operations relies on the three principles of compliance with the IBEC's Strategy, compliance with the UN's Sustainable Development Goals (SDGs) and the analysis of environmental, social and economic sustainability. The Bank's Assessment Principles are based on the best practices of ICC, which issued the third version of Standards for Sustainable Trade that include an approach to sustainability assessment of trade finance operations. Such an approach is aimed at reflecting multiple dimensions of trade through assessing not only goods or economic activity financed, but also buyers and sellers of goods, with environmental, social and economic sustainability considered.

(EUR thousand)

1. Principal activities of the Bank (continued)

In the reporting period, the Bank implemented several sustainability development projects. IBEC ensured support to transport and logistics industry of Mongolia, issued guarantees for infrastructure projects in Mongolia and Vietnam and continued supporting health care industry through its credit and documentary products.

2. Operating environment of the Bank

Despite the tougher terms of financing, continuing geopolitical tensions and higher uncertainty, the global economy remained stable in 2024: the global inflation continued to decline and the global trade began to recover. Weaker inflationary pressure provided support to the household consumption and allowed central banks of the most major economies to ease their monetary policies. However, there are still notable differences in economic activities and inflation rates of different countries.

In 2024, the global trade continued to recover due to the recovered consumption of goods in the USA. Also, the growth of export in China and rapidly developing Asian economies increased due to a high demand for technological products. In 2024, trade in services kept an upward trend, with a stable growth in business services and tourism industries.

Vietnam

In 2024, despite the weak domestic demand, Vietnam's national economy was stable due to an enhanced manufacturing and strong recovery of trade. Manufacturing (especially, production of rubber, metalware, electronic equipment, electronic devices and computers), construction and service sectors (mainly tourism) became major drivers of economic growth. Inflationary pressure slightly increased, mainly due to higher food prices, but core inflation remained relatively low and stable.

According to the International Monetary Fund[1], the economic growth will accelerate to 6.1% in 2024 against 5.0% in 2023 due to the high external demand, stable direct foreign investments and adaptive national policies.

Mongolia

In 2024, the real GDP growth remained stable despite a sharp decline in the agricultural sector caused by severe weather conditions in H1 2024, which is generally explained by a stable growth in extraction of mineral resources (coal in most cases and copper for a lesser extent) and export-oriented transportation services boosted by a high demand for the Mongolian coal in China. Strong growth in domestic demand resulted in a surge in import, especially for investment goods and consumer durables. This import growth was more than enough to compensate for a positive contribution export made to the GDP growth. Overall inflation remained within the target range (6±2%), which allowed the Bank of Mongolia to ease its monetary policy.

According to the International Monetary Fund, the Mongolian economy will grow by 5.5% in 2024.

Russia

In 2023-2024, the Russian economy actively recovered and adapted to external restrictions. Major economic drivers in 2024 included a strong consumer activity and investment demand, which, among other things, were supported by the Government's incentives, trade with China and other friendly countries, as well as growth in manufacturing supported by higher government spending. Both consumer and investment domestic demand exceeded production capabilities of the Russian economy, which resulted in an inflation growth.

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[1] Hereinafter, the IMF World Economic Outlook, October 2024.

(EUR thousand)

2. Operating environment of the Bank (continued)

Russia (continued)

External demand amid the sanction restrictions negatively affected the GDP, bringing pressure on export. In 2024, import of goods and services will decrease due to payments and logistics issues caused by the sanction barriers.

According to the International Monetary Fund, the Russian GDP should have drawn up by 3.6% in 2024.

Effect of the economic environment on IBEC's activities

Starting from 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 and 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 deliveries to the country. This led to increased volatility in stock and currency markets. In March 2022, the Russian Federation introduced temporary restrictive economic measures in response to the sanctions.

In 2024, IBEC also continued to provide all necessary clarifications on the Bank's supranational status required for the restrictions to be dropped.

In 2023, the Republic of Poland, the Slovak Republic, the Czech Republic, Romania and the Republic of Bulgaria withdrew from the Agreement on the Organization and Activities of IBEC in accordance with advance notifications.

On 22 November 2024, IBEC and the Republic of Poland signed an agreement on the final settlement of mutual claims and liabilities as the Republic of Poland withdrew from the Agreement on the Organization and Activities of IBEC and IBEC membership, which became effective on 25 November 2024. In accordance with IFRS, IBEC on 25 November 2024 recorded a financial liability to the Republic of Poland at net present value (NPV), which was calculated by discounting cash flows in accordance with the schedule of gradual repayment of paid-in portion of share capital in cash that was documented in a bilateral agreement. The liability was generated by a EUR 1,884 million decrease in the Bank's retained earnings for prior years. On the dates when payments to the Republic of Poland in the total amount of EUR 77 thousand were made (Note 17) and as at 31 December 2024, IBEC recalculated the amortized cost of liabilities in accordance with IFRS 9, the result of EUR (45) thousand is recognized in the statement of profit or loss and other comprehensive income.

However, in 2024, in accordance with IBEC Strategy for 2024-2026, as its liquidity cushion stabilized, the Bank continued to transform its operations, adapt to a new reality in the post-crisis environment on global financial markets, develop IBEC's business, including expansion to new selected markets in Asia, the EAEU and the Middle East to support foreign economic activity of IBEC's member countries.

Together with short-term raising of funds from credit institutions in 2024, IBEC continued to diversify its sources of funding through placing a new issue of securities, attracting corporate deposits and entering into repurchase transactions with financial institutions.

Accumulation of liquid funds (including those from repayment of loans by counterparties that withdrew from the Agreement on the Organization and Activities of IBEC) on correspondent accounts allows IBEC not only to ensure servicing its current liabilities and obligations in the foreseeable future, but also to form a new portfolio of earning assets.

3. Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IBEC's material accounting policies.

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

(EUR thousand)

3. Basis of preparation of financial statements (continued)

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

The 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 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; a building recorded at a revalued amount.

Significant assessments and professional judgments

In preparing the financial statements, management used professional judgments, assumptions and estimates affecting the application of the accounting policies and the amounts of reported assets and liabilities, income and expenses. 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.

Measurement is a process of determining the value at which accounting items must be recorded in the Bank's financial statements.

The Bank uses the following methods of measurement (recognition) of financial assets and liabilities:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of the principal market, in the most advantageous market for the asset or liability.

Initial cost is the amount of cash or cash equivalents paid or the fair value of another consideration given to acquire an asset at the time of its acquisition, including transaction costs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument.

Judgments

Information about judgments, which were used in applying the accounting policies and had the most significant effect on the amounts recognized in the financial statements, is disclosed in the following Notes:

- Classification of financial assets: assessment of the business model within which financial assets are held and assessment of whether the contractual terms of the financial asset provide for solely payments of principal and interest on the principal amount outstanding (Note 31);
- Establishment of criteria for assessing whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, determination of a methodology for including forecast data in the estimation of expected credit losses, and selection and approval of models used to estimate expected credit losses (Note 25).

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(EUR thousand)

3. Basis of preparation of financial statements (continued)

Significant assessments and professional judgments (continued)

Sensitivity of the fair value of the building

As at 31 December 2024, the fair value of the building owned by the Bank was EUR 48,073 thousand (2023: EUR 49,103 thousand). The fair value of one square meter was EUR 1,898 (2023: EUR 1,939). If the value of one square meter increases by 10%, the fair value of the building will be EUR 52,880 thousand (2023: EUR 54,013 thousand); if the value of one square meter decreases by 10%, the fair value of the building will be EUR 43,266 thousand (2023: EUR 44,193 thousand).

Assumptions and estimation uncertainty

Information about the assumptions and estimation uncertainty, which give rise to a significant risk that they may cause a significant adjustment to the data in the financial statements for the year ended 31 December 2024, is disclosed in the following Notes:

- Impairment of financial instruments: determination of inputs for a model for estimating expected credit losses, including forecast information (Note 25);
- Fair value measurement of securities (Note 26);
- Revaluation of the building (Note 12).

Changes in accounting policies

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2024, as described below. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

The new standards, amendments and interpretations that became effective on 1 January 2024 are disclosed below.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. In June 2022, the IASB decided to finalize the proposed amendments to IAS 1, published in an exposure draft *Non-current Liabilities with Covenants* with some modifications (the 2022 Amendments).

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- That an entity shall disclose additional information if it classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months.

The amendments are effective for annual periods beginning on or after 1 January 2024.

(EUR thousand)

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

Amendments to IFRS 16 Leases

On 22 September 2022, the IASB issued amendments to IFRS 16 *Leases*, adding guidance on the subsequent measurement of assets and liabilities in sale and leaseback transactions that meet the criteria for a transfer of control of an asset in IFRS 15 *Revenue from Contracts with Customers*.

The amendments require a seller-lessee to measure the lease liability arising from a leaseback in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Entities should use IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to develop an accounting policy for determining how to measure lease payments for such transactions.

The amendments shall be applied retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of the amendments.

A seller-lessee shall apply the amendments for annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* that clarify the characteristics of supplier finance arrangements and require additional disclosures for such arrangements. The disclosure requirements in the amendments aim to assist users of financial statements in understanding the impact of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Transitional provisions in the amendments state that entities do not have to disclose certain comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments, and certain information as of the beginning of the year otherwise required to be disclosed as of the beginning of the annual reporting period in which the entity first applies those amendments.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2024	***2023***
Cash on hand	2,256	2,620
Correspondent accounts with banks in IBEC member countries	13,506	16,998
Correspondent accounts with banks in other countries	1,419	1,948
Total cash and cash equivalents	**17,181**	**21,566**
Allowance for expected credit losses	(5)	(7)
Cash and cash equivalents less allowance for expected credit losses	**17,176**	**21,559**

As at 31 December 2024, balances with three major groups of counterparties amounted to EUR 12,967 thousand, or 86.91% of total cash and cash equivalents (other than cash on hand) (31 December 2023: balances with three major groups of counterparties amounted to EUR 17,003 thousand, or 89.78% of total cash and cash equivalents other than cash on hand).

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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):

	2024	***2023***
Due from central banks	***110***	***5,783***
Correspondent accounts with banks		
Internationally rated		
from AAA to A-	*4*	*6*
from BBB+ to BB-	*1,525*	*1,932*
from B+ to B-	*10,802*	*4,683*
Internally rated only		
from BBB+ to BB-	*2,448*	*794*
from B+ to B-	*15*	*5,742*
from CCC+ to C	*17*	*2*
unrated	*4*	*4*
Total correspondent accounts with banks	***14,925***	***18,946***
Allowance for expected credit losses	(5)	(7)
Cash and cash equivalents (other than cash on hand) less allowance for expected credit losses	**14,920**	**18,939**

The credit quality and interest rate risk of cash and cash equivalents are presented in Note 25.

6. Securities at fair value through profit or loss

Securities at fair value through profit or loss comprise:

	2024	***2023***
Held by the Bank		
Internally rated only		
Bonds of IBEC member countries	3,449	–
from BBB+ to BB-	*3,449*	–
Eurobonds of IBEC member countries	–	*831*
from BBB+ to BB-	–	*831*
Corporate bonds	741	815
from BBB+ to BB-	*741*	*815*
	4,190	**1,646**
Pledged under repurchase agreements		
Internally rated only		
Eurobonds of IBEC member countries	–	2,909
from BBB+ to BB-	–	*2,909*
	–	**2,909**
Securities at fair value through profit or loss	**4,190**	**4,555**

For the interest rate risk of securities at fair value through profit or loss, please refer to Note 25.

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(EUR thousand)

7. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income comprise:

	2024	***2023***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	7,582	12,555
from BBB+ to BB-	*7,582*	*5,666*
from B+ to B-	–	*6,889*
Eurobonds of other countries	6,876	7,132
from BBB+ to BB-	*6,876*	*7,132*
Eurobonds of international financial institutions	–	1,529
from BBB+ to BB-	–	*1,529*
Internally rated only		
Corporate bonds	94,782	58,029
from BBB+ to BB-	*64,070*	*43,037*
from B+ to B-	*30,712*	*14,992*
Corporate Eurobonds	11,192	18,512
from BBB+ to BB-	*11,192*	*18,512*
Bonds of banks	9,524	7,118
from BBB+ to BB-	*6,111*	–
Bonds of banks	*3,413*	–
from B+ to B-	–	*7,118*
Eurobonds of banks	–	3,787
from BBB+ to BB-	–	*3,787*
Bonds of IBEC member countries	54,743	794
from BBB+ to BB-	*54,743*	*794*
Eurobonds of IBEC member countries	–	515
from BBB+ to BB-	–	*515*
Eurobonds of international financial institutions	1,671	–
from BBB+ to BB-	*1,671*	–
	186,370	**109,971**
Pledged under repurchase agreements		
Internally rated only		
Eurobonds of IBEC member countries	–	46,509
from BBB+ to BB-	–	*46,509*
Corporate bonds	–	11,575
from BBB+ to BB-	–	*11,575*
Bonds of IBEC member countries	–	4,277
from BBB+ to BB-	–	*4,277*
	–	**62,361**
Securities at fair value through other comprehensive income	**186,370**	**172,332**

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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 2024	**143,611**	**28,721**	**172,332**
New originated or purchased assets	138,004	7,491	**145,495**
Transfer to Stage 1	12,700	(12,700)	**–**
Transfer to Stage 2	(3,946)	3,946	**–**
Change in fair value	(18,164)	(2,574)	**(20,738)**
Assets derecognized or redeemed (excluding write-offs)	(98,979)	(6,216)	**(105,195)**
Changes in currency exchange rates	(5,851)	327	**(5,524)**
Gross carrying amount at 31 December 2024	**167,375**	**18,995**	**186,370**
Allowance for expected credit losses at 1 January 2024	**866**	**8,564**	**9,430**
New originated or purchased assets	768	81	**849**
Transfer to Stage 1	3,375	(3,375)	**–**
Transfer to Stage 2	(117)	117	**–**
Assets derecognized or redeemed (excluding write-offs)	(1,155)	(2,462)	**(3,617)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(2,586)	2,199	**(387)**
Changes in currency exchange rates	(3)	112	**109**
Allowance for expected credit losses at 31 December 2024	**1,148**	**5,236**	**6,384**
Gross carrying amount at 1 January 2023	**32,538**	**35,536**	**68,074**
New originated or purchased assets	140,139	446	**140,585**
Transfer to Stage 2	(5,024)	5,024	**–**
Transfer from Stage 2	10,695	(10,695)	**–**
Change in fair value	5,302	6,098	**11,400**
Assets derecognized or redeemed (excluding write-offs)	(38,370)	(4,489)	**(42,859)**
Changes in currency exchange rates	(1,669)	(3,199)	**(4,868)**
Gross carrying amount at 31 December 2023	**143,611**	**28,721**	**172,332**
Allowance for expected credit losses at 1 January 2023	**1,956**	**6,977**	**8,933**
New originated or purchased assets	15,286	–	**15,286**
Transfer to Stage 2	(1,267)	1,267	**–**
Transfer from Stage 2	65	(65)	**–**
Assets derecognized or redeemed (excluding write-offs)	(4,391)	(472)	**(4,863)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(10,410)	1,532	**(8,878)**
Changes in currency exchange rates	(373)	(675)	**(1,048)**
Allowance for expected credit losses at 31 December 2023	**866**	**8,564**	**9,430**

(EUR thousand)

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

Corporate bonds denominated in Russian rubles, euros and Chinese yuan (31 December 2023: Russian rubles, US dollars, euros and Chinese yuan) 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 February 2026 to December 2034 (31 December 2023: from August 2024 to May 2033), and coupon rates range from 1.5% p.a. to 27.5% p.a. (31 December 2023: from 0% to 16% p.a.).

Eurobonds of IBEC member countries are issued in euros (31 December 2023: euros) for circulation on markets external to the issuing country and for trade on over-the-counter markets. As at 31 December 2024, the Bank had no Eurobonds of IBEC member countries. As at 31 December 2023, Eurobonds mature from November 2027 to May 2036, and coupon rates range from 1.125% to 2.65% p.a.

Corporate Eurobonds are debt securities denominated in euros, US dollars and Russian rubles (31 December 2023: euro, US dollars, s 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 February 2026 to January 2030 (31 December 2023: from July 2024 to January 2030), and coupon rates range from 1.5% to 15.5% p.a. (31 December 2023: from 1.5% to 6.75% p.a.).

Eurobonds of other countries are issued in euros (31 December 2023: euros) and traded on exchange markets external to the issuing country. Eurobonds mature from December 2040 to September 2050 (31 December 2023: from December 2040 to September 2050), and coupon rates range from 1.375% to 2.625% p.a. (31 December 2023: from 1.375% to 2.625% p.a.).

Bonds of banks are debt securities denominated in euros, US dollars and Russian rubles (31 December 2023: Russian rubles) for circulation on internal markets of the issuer. The Bank Bonds have maturity dates from January 2026 to August 2029 (31 December 2023: December 2026) and coupon rates range from 3.1% to 23.75% p.a. (31 December 2023: 18.5% p.a.).

Bonds of IBEC member countries are denominated in Russian rubles and euros (31 December 2023: Russian rubles) for circulation on internal and exchange markets of the issuing countries and for trade on over-the-counter markets, mature from December 2025 to March 2041 (31 December 2023: from September 2031 to March 2039) and coupon rates range from 1.125% to 12.25% p.a. (31 December 2023: from 7.7% to 11.25% p.a.).

As at 31 December 2024, there were no Eurobonds of banks. As at 31 December 2023, the banks' Eurobonds of banks are debt securities denominated in euros and US dollars for circulation on markets external to the issuer. Eurobonds of banks mature from January 2026 to September 2026, and coupon rates range from 3.1% to 3.88% p.a.

Eurobonds of international financial institutions are denominated in euros and are traded on exchange markets external to the issuing country. Eurobonds mature in March 2026 (31 December 2023: March 2026), and the coupon rate is 1% p.a. (31 December 2023: 1% p.a.).

Securities at fair value through other comprehensive income include securities pledged under repurchase agreements. As at 31 December 2024, there were no securities pledged under repurchase agreements. As at 31 December 2023, the fair value was EUR 62,361 thousand. According to the contract, the counterparty shall return securities transferred under repurchase agreements when the contract expires (Note 14).

Securities at fair value through other comprehensive income in the amount equivalent to EUR 8,672 thousand (31 December 2023: EUR 28,721 thousand) were restricted for use due to the sanctions imposed on depositories that hold IBEC's securities. The Bank takes all steps necessary to remove restrictions on the use of an asset subject to potential scenarios with respect to each individual security. Taking that into account, the Bank formed a provision for such securities in the amount of EUR 4,336 thousand (31 December 2023: EUR 8,564 thousand).

During 2024, several securities at fair value through other comprehensive income for the nominal amount equivalent to EUR 15,369 thousand at the exchange rate on replacement date were replaced by the issuers from one issue to another, whereby restrictions on the use of such securities were removed.

For the credit quality and interest rate risk of securities at fair value through other comprehensive income, please refer to Note 25.

(EUR thousand)

8. Due from banks and financial institutions

Amounts due from banks and financial institutions comprise:

	2024	***2023***
Loans issued to banks under trade financing	37,288	32,532
- To banks in IBEC member countries	*26,858*	*29,505*
- To banks in other countries	*10,430*	*3,027*
Short-term deposits with financial institutions of the member countries	4,735	22,018
Restricted cash	2,919	2,918
Short-term deposits with banks of the member countries	2,066	22,608
Due from financial institutions of the member countries	1,924	1,354
Short-term deposits with banks in other countries	–	16,150
Total due from banks and financial institutions	**48,932**	**97,580**
Allowance for expected credit losses	(3,190)	(3,141)
Due from banks and financial institutions	**45,742**	**94,439**

Restricted cash represents cash balances with the Bank's depository partners, which are restricted for use by foreign depositories. As at 31 December 2024, the Bank made a provision for all restricted cash amounting to EUR 2,919 thousand (31 December 2023: EUR 2,918 thousand).

As at 31 December 2024, balances with three major counterparties amounted to EUR 37,019 thousand, or 80.94% of the total due from banks and financial institutions (31 December 2023: EUR 61,706 thousand or 65.34% of the total due from banks and financial institutions).

The table below shows an analysis of due from banks and financial institutions by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available):

Due from banks and financial institutions	***2024***	***2023***
Internationally rated		
from AAA to A-	*1,689*	*1,690*
from BBB+ to BB-	*10,430*	*19,177*
from B+ to B-	*26,859*	*44,545*
Internally rated only		
from BBB+ to BB-	*7,889*	*1,228*
from B+ to B-	*2,065*	*23,877*
from CCC+ to C	–	*7,063*
Total	**48,932**	**97,580**
Allowance for expected credit losses	(3,190)	(3,141)
Carrying amount	**45,742**	**94,439**

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(EUR thousand)

8. Due from banks and financial institutions (continued)

An analysis of changes in the gross carrying amount and changes in the allowance for expected credit losses from due from banks and financial institutions is presented below:

Due from banks and financial institutions	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2024	**94,662**	**–**	**2,918**	**97,580**
New originated or purchased assets	505,620	–	2	**505,622**
Transfer to Stage 1	–	–	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(553,875)	–	(22)	**(553,897)**
Changes in currency exchange rates	(394)	–	21	**(373)**
Gross carrying amount as of 31 December 2024	**46,013**	**–**	**2,919**	**48,932**
Allowance for expected credit losses at 1 January 2024	**223**	**–**	**2,918**	**3,141**
New originated or purchased assets	619	–	2	**621**
Transfer to Stage 1	–	–	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(385)	–	(21)	**(406)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(192)	–	–	**(192)**
Changes in currency exchange rates	6	–	20	**26**
Allowance for expected credit losses at 31 December 2024	**271**	**–**	**2,919**	**3,190**
Gross carrying amount at 1 January 2023	**62,178**	**2,006**	**9,531**	**73,715**
New originated or purchased assets	537,284	32,309	–	**569,593**
Transfer from Stage 2 to Stage 1	1,354	(1,354)	–	**–**
Transfer to Stage 3	–	(2,918)	2,918	**–**
Assets derecognized or redeemed (excluding write-offs)	(501,777)	(28,789)	(9,294)	**(539,860)**
Changes in currency exchange rates	(4,377)	(1,254)	(237)	**(5,868)**
Gross carrying amount at 31 December 2023	**94,662**	**–**	**2,918**	**97,580**
Allowance for expected credit losses at 1 January 2023	**344**	**578**	**9,531**	**10,453**
New originated or purchased assets	4,130	2	–	**4,132**
Transfer from Stage 2 to Stage 1	–	–	–	**–**
Transfer to Stage 3	–	(2,918)	2,918	**–**
Assets derecognized or redeemed (excluding write-offs)	(4,069)	–	(9,294)	**(13,363)**
Changes in models and inputs used for ECL calculations and as a result of transfer f rom one Stage to another	(138)	2,368	–	**2,230**
Changes in currency exchange rates	(44)	(30)	(237)	**(311)**
Allowance for expected credit losses at 31 December 2023	**223**	**–**	**2,918**	**3,141**

For the credit quality and interest rate risk of due from banks and financial institutions please refer to Note 25.

(EUR thousand)

9. Securities at amortized cost

Securities at amortized cost comprise:

	2024	*2023*
Held by the Bank		
Internationally rated		
Corporate Eurobonds	3,983	8,799
from BBB+ to BB-	*3,983*	*5,054*
from B+ to B-	–	*3,745*
Internally rated only		
Corporate bonds	31,876	18,375
from BBB+ to BB-	*30,505*	*18,375*
from B+ to B-	*1,371*	–
Corporate Eurobonds	5,177	9,713
from BBB+ to BB-	–	*9,713*
from B+ to B-	*5,177*	–
Digital rights	–	4,069
from CCC+ to C	–	*4,069*
Total securities at amortized cost	**41,036**	**40,956**
Allowance for expected credit losses	(4,816)	(3,975)
Securities at amortized cost	**36,220**	**36,981**

Corporate Eurobonds and bonds are debt securities issued in euros, US dollars and Russian rubles by financial and industrial entities in IBEC member countries and other countries for circulation on markets internal and external to the issuer and for trade on over-the-counter and exchange markets. Corporate Eurobonds mature from February 2027 to May 2027 (31 December 2023: from June 2024 to July 2028), and coupon rates range from 2.2% to 8.5% p.a. (31 December 2023: from 2.2% to 8.5% p.a.). Corporate bonds mature from March 2025 to October 2034 (31 December 2023: from November 2024 to October 2026), and coupon rates range from 12.4% to 27.5% p.a. (31 December 2023: from 2.25% to 16.25% p.a.).

Digital rights represent rights to receive from the issuer upon their redemption a cash amount equal to the nominal value and interest income. As at 31 December 2024, there were no digital rights (31 December 2023: digital rights issued in Russian Roubles with maturities in September 2024 and a coupon rate of 17.5% p.a.)

Securities at amortized cost in the amount equivalent to EUR 9,050 thousand (31 December 2023: EUR 13,348 thousand) were restricted for use due to the sanctions imposed on depositories that hold IBEC's securities. The Bank takes all steps necessary to remove restrictions on the use of an asset subject to potential scenarios with respect to each individual security. Taking that into account, the Bank formed a provision for such securities in the amount of EUR 4,525 thousand. (31 December 2023: EUR 3,470 thousand).

During 2024, the portion of securities measured at amortized cost and restricted securities was redeemed in the amount of EUR 4,668 thousand at the exchange rate at the date of redemption.

During 2024, the Bank sold securities at amortized cost with a nominal value of EUR 5,000 thousand (2023: EUR 8,537 thousand). An expense of EUR 638 thousand was recognized in the statement of profit or loss and other comprehensive income within net losses from operations with securities at amortized cost (31 December 2023: expense of EUR 402 thousand).

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(EUR thousand)

9. 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***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2024	**27,498**	**13,348**	**110**	**40,956**
New originated or purchased assets	23,151	593	–	**23,744**
Transfer to Stage 2	–	–	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(17,387)	(5,272)	–	**(22,659)**
Changes in currency exchange rates	(1,386)	381	–	**(1,005)**
Gross carrying amount at 31 December 2024	**31,876**	**9,050**	**110**	**41,036**
Allowance for expected credit losses at 1 January 2024	**395**	**3,470**	**110**	**3,975**
New originated or purchased assets	57	–	–	**57**
Transfer to Stage 2	–	–	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(96)	(1,195)	–	**(1,291)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(173)	2,151	–	**1,978**
Changes in currency exchange rates	(1)	98	–	**97**
Allowance for expected credit losses at 31 December 2024	**182**	**4,524**	**110**	**4,816**
Gross carrying amount at 1 January 2023	**25,416**	**22,296**	**–**	**47,712**
New originated or purchased assets	20,710	532	–	**21,242**
Transfer to Stage 2	(3,745)	3,745	–	**–**
Transfer to Stage 3	–	(110)	110	**–**
Assets derecognized or redeemed (excluding write-offs)	(14,655)	(12,948)	–	**(27,603)**
Changes in currency exchange rates	(228)	(167)	–	**(395)**
Gross carrying amount at 31 December 2023	**27,498**	**13,348**	**110**	**40,956**
Allowance for expected credit losses at 1 January 2023	**1,117**	**1,491**	**–**	**2,608**
New originated or purchased assets	2,277	–	–	**2,277**
Transfer to Stage 2	(999)	999	–	**–**
Transfer to Stage 3	–	(110)	110	**–**
Assets derecognized or redeemed (excluding write-offs)	(56)	(16)	–	**(72)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(1,947)	1,112	–	**(835)**
Changes in currency exchange rates	3	(6)	–	**(3)**
Allowance for expected credit losses at 31 December 2023	**395**	**3,470**	**110**	**3,975**

The Bank makes investments in the debt securities of companies from the countries that 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 countries that are members 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.

	2024	***2023***
Credit investment portfolio of securities	36,220	33,979
Securities purchased on capital markets	–	3,002
Securities at amortized cost	**36,220**	**36,981**

For the credit quality and interest rate risk of securities at amortized cost, please refer to Note 25.

(EUR thousand)

10. Loans to corporate customers

Loans to corporate customers comprise:

	2024	2023
Loans issued to legal entities from IBEC member countries	92,905	62,260
Loans for foreign trade purposes issued to legal entities from IBEC member countries	35,863	37,405
Loans issued to legal entities from other countries	10,644	13,260
Syndicated loans issued to legal entities from other countries	9,476	12,463
Loans for foreign trade purposes issued to legal entities from other countries	521	5,562
Total loans to corporate customers	**149,409**	**130,950**
Allowance for expected credit losses	(6,280)	(4,001)
Loans to corporate customers less allowance for expected credit losses	**143,129**	**126,949**

Other countries are represented by countries that carry out their operations in transactions with the Bank's member countries.

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

	2024		2023	
	Amount	**%**	**Amount**	**%**
Transport	40,368	28,20	44,474	35,03
Chemical industry	25,622	17,90	22,335	17,59
Finance	22,984	16,06	4,518	3,56
Pharmaceuticals	21,241	14,84	21,653	17,06
Logistics	13,135	9,18	13,865	10,92
Investment activities (leases)	10,323	7,21	2,513	1,98
Gas industry	9,456	6,61	12,433	9,80
Wholesale trade	–	–	5,029	3,96
Construction	–	–	129	0,10
Total loans to corporate customers	**143,129**	**100**	**126,949**	**100**

As at 31 December 2024, balances with three major counterparties of the Bank amounted to EUR 80,501 thousand, or 56.25% of the Bank's total loan to corporate customers portfolio less allowance for expected credit losses (31 December 2023: EUR 81,121 thousand, or 63.90% of the Bank's total loan to corporate customers portfolio less allowance for expected credit losses).

Loans are issued to customers operating in the following countries:

	2024	2023
Russian Federation	77,074	46,501
Mongolia	35,554	37,133
Republic of Bulgaria	12,552	16,951
Socialist Republic of Vietnam	11,219	13,865
Republic of Poland	6,730	7,341
UAE	–	5,029
Slovak Republic	–	129
Total	**143,129**	**126,949**

(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	***2024***	***2023***
Internally rated only		
from BBB+ to BB-	*43,262*	*39,907*
from B+ to B-	*58,139*	*48,013*
from CCC+ to C	*48,008*	*43,030*
Total	**149,409**	**130,950**
Allowance for expected credit losses	(6,280)	(4,001)
Carrying amount	**143,129**	**126,949**

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 2024	**117,168**	**13,261**	**521**	**130,950**
New originated or purchased assets	101,705	1,058	–	**102,763**
Transfer to Stage 2	(14,797)	14,797	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(73,691)	(3,674)	–	**(77,365)**
Changes in currency exchange rates	(6,939)	–	–	**(6,939)**
Gross carrying amount at 31 December 2024	**123,446**	**25,442**	**521**	**149,409**
Allowance for expected credit losses at 1 January 2024	**2,207**	**1,273**	**521**	**4,001**
New originated or purchased assets	5,156	182	–	**5,338**
Transfer to Stage 2	(3,578)	3,578	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(1,945)	(915)	–	**(2,860)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(337)	278	–	**(59)**
Changes in currency exchange rates	(140)	–	–	**(140)**
Allowance for expected credit losses at 31 December 2024	**1,363**	**4,396**	**521**	**6,280**
Gross carrying amount at 1 January 2023	**116,340**	**21,618**	**539**	**138,497**
New originated or purchased assets	81,370	1,064	–	**82,434**
Transfer to Stage 2	(5,075)	5,075	–	**–**
Transfer from Stage 2 to Stage 1	2,550	(2,550)	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(73,974)	(10,761)	(19)	**(84,754)**
Changes in currency exchange rates	(4,043)	(1,185)	1	**(5,227)**
Gross carrying amount at 31 December 2023	**117,168**	**13,261**	**521**	**130,950**
Allowance for expected credit losses at 1 January 2023	**5,251**	**5,018**	**539**	**10,808**
New originated or purchased assets	13,125	166	–	**13,291**
Transfer to Stage 2	(556)	556	–	**–**
Transfer from Stage 2 to Stage 1	37	(37)	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(8,600)	(1,666)	(19)	**(10,285)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(6,505)	(2,283)	–	**(8,788)**
Changes in currency exchange rates	(545)	(481)	1	**(1,025)**
Allowance for expected credit losses at 31 December 2023	**2,207**	**1,273**	**521**	**4,001**

(EUR thousand)

10. Loans to corporate customers (continued)

In 2023, the Bank sold to an unrelated party its loan receivable, which was previously recognized by the Council of the Bank as bad debt and written off. The Bank previously wrote off the outstanding loan receivable of EUR 14,338 thousand as expenses against the allowance. The selling price was EUR 180 thousand. It was recognized within other banking income in the statement of profit or loss and other comprehensive income.

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 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.

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:

	2024	***2023***
Loans secured by guarantees and sureties of third parties	99,691	87,146
Loans secured by pledge of (movable) property and property rights	43,438	39,803
Total loans to corporate customers	**143,129**	**126,949**

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

In 2024, the Bank modified the terms and conditions of loans to two borrowers (2023: four borrowers) due to the geopolitical crisis taking place from February 2022.

For the quality analysis and interest rate risk of the loan portfolio, please refer to Note 25.

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(EUR thousand)

11. Derivative financial instruments

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

	Notional principal	Fair value	
		Asset	Liability
2024			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of other countries)	3,337	126	–
Derivative financial instruments (contracts with residents of IBEC member countries)	1,187	–	44
Cross-currency interest rate contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	558	1,230	213
Total derivative assets/liabilities		**1,356**	**257**
2023			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	35,167	–	501
Cross-currency interest rate contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	3,528	–	24
Cross-currency interest rate contracts used as hedging instruments			
Derivative financial instruments (contracts with residents of IBEC member countries) used as hedging instruments	25,665	–	5,730
Total derivative assets/liabilities		**–**	**6,255**

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.

	2024		2023	
	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				
- EUR receivable on settlement (+)	3,446	–	–	–
- RUB payable on settlement (–)	3,320	–	–	6,797
- RUB receivable on settlement (+)	–	1,142	–	28,209
- Payable in other currencies on settlement (-)	–	1,185	–	–
- USD payable on settlement (-)	–	–	–	28,271
- Receivable in other currencies on settlement (+)	–	–	–	6,358
Cross-currency interest rate swaps: fair value at the end of the reporting period				
- RUB receivable on settlement (+)	35,019	3,085	–	3,504
- RUB payable on settlement (-)	33,789	3,299	–	3,528
Cross-currency interest rate swaps used as hedging instruments: fair value at the end of the reporting period				
- EUR payable on settlement (-)	–	–	–	25,195
- RUB receivable on settlement (+)	–	–	–	19,465
Net fair value of interest rate, foreign exchange and cross-currency interest rate swaps	**1,356**	**(257)**	**–**	**(6,255)**

(EUR thousand)

11. Derivative financial instruments (continued)

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.

Net gains (losses) from operations with derivative financial instruments and foreign currency recognized in the statement of profit or loss and other comprehensive income include trading operations with derivative financial instruments totaling EUR 896 thousand (2023: EUR 6,451 thousand) and trading operations with currency totaling EUR (1,808) thousand (2023: EUR 517 thousand).

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 25). The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged item.

As at 31 December 2024, the Bank had no hedging relationships due to the fact that the hedged item (or part of it) no longer exists. As at 31 December 2023, 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***
31 December 2023		
RUB-denominated bonds with a fixed interest rate	312	–

The line item in the 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 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.

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(EUR thousand)

11. Derivative financial instruments (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***		
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 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***
2024										
Cross-currency interest rate swaps	–	–	–	**275**	468	(193)	–	**388**	**247**	**(48)**
2023										
Cross-currency interest rate swaps	25,665	–	5,730	**(4,364)**	(5,335)	1,371	(400)	**987**	**(6,295)**	**(116)**

In 2024 and 2023, 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)

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

Cash flow hedges	*1 to 6 months*	*12 months to 5 years*	*Total*
2023			
Cross-currency interest rate swaps			
Notional principal	25,665	–	**25,665**
Average fixed interest rate, EUR	1.41%	–	**1.41%**
Average fixed interest rate, RUB	6.2%	–	**6.2%**
Average EUR/RUB exchange rate	0,0101	–	**0,0101**

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 2024	**167**	**145**
Effective portion of changes in the fair value of cross-currency interest rate swaps	468	(193)
Net amounts reclassified to profit or loss:		
- *Interest expense*	*(388)*	–
- *Net gains (losses) from operations with derivative financial instruments and foreign currency*	*(247)*	*48*
Balance at 31 December 2024	**–**	**–**
Balance at 1 January 2023	**194**	**(1,342)**
Effective portion of changes in the fair value of cross-currency interest rate swaps	(5,335)	1,371
Net amounts reclassified to profit or loss:		
- *Interest expense*	*(987)*	–
- *Net gains (losses) from operations with derivative financial instruments and foreign currency*	*6,295*	*116*
Balance at 31 December 2023	**167**	**145**

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(EUR thousand)

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

Movements in property, plant and equipment for 2024 were as follows:

2024	*Note*	*Building*	*Office equipment and computer hardware*	*Furniture*	*Transport*	*Intangible assets and investments in intangible assets*	*Total*
Cost							
Balance at 1 January 2024		**76,050**	**1,682**	**405**	**510**	**2,884**	**81,531**
Additions		203	34	5	–	92	**334**
Disposals		–	(51)	(18)	–	–	**(69)**
Revaluation		(317)	–	–	–	–	**(317)**
Balance at 31 December 2024		**75,936**	**1,665**	**392**	**510**	**2,976**	**81,479**
Accumulated depreciation							
Balance at 1 January 2024		**26,947**	**1,390**	**294**	**510**	**141**	**29,282**
Depreciation charges for the year	22	1,032	164	5	–	161	**1,362**
Disposals		–	(51)	(12)	–	–	**(63)**
Revaluation		(116)	–	–	–	–	**(116)**
Balance at 31 December 2024		**27,863**	**1,503**	**287**	**510**	**302**	**30,465**
Net book value							
Net book value at 1 January 2024		**49,103**	**292**	**111**	**–**	**2,743**	**52,249**
Net book value at 31 December 2024		**48,073**	**162**	**105**	**–**	**2,674**	**51,014**

Movements in property, plant and equipment for 2023 were as follows:

2023	*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		50	61	–	–	697	–	**808**
Disposals		–	(19)	(48)	(35)	–	(26)	**(128)**
Balance at 31 December 2023		**76,050**	**1,682**	**405**	**510**	**2,884**	**–**	**81,531**
Accumulated depreciation								
Balance at 1 January 2023		**25,907**	**1,204**	**312**	**498**	**52**	**18**	**27,991**
Depreciation charges for the year	22	1,040	205	8	47	89	1	**1,390**
Disposals		–	(19)	(26)	(35)	–	(19)	**(99)**
Balance at 31 December 2023		**26,947**	**1,390**	**294**	**510**	**141**	**–**	**29,282**
Net book value								
Net book value at 1 January 2023		**50,093**	**436**	**141**	**47**	**2,135**	**8**	**52,860**
Net book value at 31 December 2023		**49,103**	**292**	**111**	**–**	**2,743**	**–**	**52,249**

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

	2024	*2023*
Cost	**48,929**	**48,725**
Accumulated depreciation	(17,998)	(17,298)
Net book value	**30,931**	**31,427**

(EUR thousand)

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

Revaluation of assets

As at 31 December 2024, the Bank had an independent assessment of the fair value of buildings 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.

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. The Bank classifies the building as an item of property, plant and equipment, as it cannot physically separate the leased floor space, and also considers the insignificance of the leased floor space.

The Bank expects to receive the following operating lease payments after 31 December 2024: within 30 days: EUR 197 thousand; 31 days to 180 days: EUR 567 thousand; 181 days to one year: EUR 70 thousand.

13. Other assets and liabilities

Other assets comprise:

	Note	*2024*	*2023*
Financial assets			
Settlements on securities		12,386	20,576
Accounts receivable under financial and business operations		737	661
Consumer lending		259	113
Bank fees receivable from customers		3	2
Margin call		–	7,094
Allowance for expected credit losses from financial assets	23	(12,506)	(18,723)
Total financial assets less allowance for expected credit losses		**879**	**9,723**
Non-financial assets			
Inventories		69	59
Total non-financial assets		**69**	**59**
Total other assets		**948**	**9,782**

As at 31 December 2024, IBEC did not receive any cash from redemption of a number of securities and paid coupon income totaling EUR 12,386 thousand due to, among other reasons, the sanctions imposed on depositories that hold IBEC's securities (31 December 2023: to EUR 18,596 thousand). The Bank made a provision for these securities amounting to EUR 12,386 thousand as at 31 December 2024 (31 December 2023: EUR 18,596 thousand).

Other liabilities comprise:

	Note	*2024*	*2023*
Financial liabilities			
Settlements under financial and business operations		2,086	6,458
Liabilities to the withdrawn countries	17	1,853	–
Advances received		1,101	2,887
Contributions to social security funds		689	204
Total financial liabilities		**5,729**	**9,549**
Non-financial liabilities			
Allowance for expected credit losses from credit-related commitments	18, 23	849	766
Provision for unused vacations	24	417	379
Total non-financial liabilities		**1,266**	**1,145**
Total other liabilities		**6,995**	**10,694**

(EUR thousand)

14. Due to financial institutions

Amounts due to financial institutions comprise:

	2024	2023
Long-term related financing from:		
- banks in IBEC member countries	32,435	36,262
Deposits raised from banks in other countries	10,521	–
Deposits raised from banks in IBEC member countries	10,222	–
Correspondent accounts of banks in IBEC member countries	977	628
Correspondent accounts of international financial institutions	311	590
Correspondent accounts of banks in other countries	132	12
Repurchase agreements	–	61,613
Due to financial institutions	**54,598**	**99,105**

As at 31 December 2024, balances due to three major counterparties amounted to EUR 48,624 thousand, or 89.06% of total amounts due to financial institutions (31 December 2023: EUR 97,875 thousand due to three major counterparties, or 98.76% of total amounts due to financial institutions).

In 2023, the Bank entered into repurchase agreements with financial institutions in IBEC member countries with encumbrances on securities with a fair value of EUR 65,270 thousand as at 31 December 2023 (Notes 6, 7, 9).

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	2024	2023
Carrying amount of transferred assets – securities at fair value through profit or loss	6	–	2,909
Carrying amount of transferred assets – securities at fair value through other comprehensive income	7	–	62,361
Carrying amount of associated liabilities – due to financial institutions		–	(61,613)

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:

	2024	2023
Deposits of international organizations	41,454	–
Current accounts of organizations in IBEC member countries	10,465	3,929
Deposits of organizations in IBEC member countries	8,865	9,074
Amounts due to the Fund	7,462	7,238
Current accounts of organizations in other countries	151	333
Deposits of organizations in other countries	76	23
Other current accounts	1,737	1,984
Due to customers	**70,210**	**22,581**

(EUR thousand)

15. Due to customers (continued)

As at 31 December 2024, balances due to three major customers of the Bank amounted to EUR 57,537 thousand, or 81.95% of total amounts due to customers (31 December 2023: EUR 19,167 thousand, or 84.88% 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, excluding other current accounts and amounts due to the Fund, by industry is as follows:

	2024		***2023***	
	Amount	***%***	***Amount***	***%***
Insurance	46,427	76,09	5,040	37,7
Construction	8,658	14,19	6,890	51,6
Finance	3,876	6,35	6	0,0
Trade	692	1,13	194	1,5
Pharmaceuticals	294	0,48	134	1,0
Investment activities (leases)	212	0,35	166	1,3
Manufacturing	109	0,18	225	1,7
Energy	100	0,16	103	0,8
Transport	89	0,15	225	1,7
Research	89	0,15	41	0,3
Metallurgy	55	0,09	73	0,5
Advertising and PR	43	0,07	4	0,0
Factoring	6	0,01	–	–
Investment activities	6	0,01	–	–
Chemical industry	3	0,01	4	0,0
Mining	–	0,00	2	0,0
Other	352	0,58	252	1,9
Total due to customers	**61,011**	**100**	**13,359**	**100**

16. Debt securities issued

Debt securities issued comprise:

	2024	***2023***
RUB-denominated bonds	141,874	147,073
Debt securities issued	**141,874**	**147,073**

On 18 June 2024, IBEC placed bonds in the amount of RUB 5 billion (EUR 58,240 thousand at the currency exchange rate as at the date of issue) with maturity on 6 June 2034 and offer date in June 2026. The coupon rate is the total income earned per each day of the coupon period based on the Bank of Russia's key rate plus spread of 2.1% p.a., payable on a quarterly basis. As at 31 December 2024, the average coupon rate on the bonds of this issue was 23.10% p.a. 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 18 December 2023, IBEC placed bonds in the amount of RUB 5.5 billion (EUR 55,886 thousand at the currency exchange rate as at the date of issue) maturing on 14 December 2026. The coupon rate is the total income earned per each day of the coupon period based on the Bank of Russia's key rate plus spread of 2.5% p.a., payable on a semi-annual basis. As at 31 December 2024, the average coupon rate on the bonds of this issue was 23.50% p.a. 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).

(EUR thousand)

16. Debt securities issued (continued)

On 15 June 2023, IBEC placed bonds 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 15 June 2020, IBEC placed bonds 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. As a result of this offer, the Bank bought back bonds in the amount of RUB 4,769 billion. Bonds in the amount of RUB 0,231 billion that are not required to be bought as at the date are still outstanding. The coupon rate was set at 16.40% p.a. with offer date in June 2025. No hedging transactions were entered into for this issue after the offer considering the Bank's OCP structure and planned pipeline of a new asset portfolio (Note 11).

On 9 October 2019, IBEC placed bonds 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 7.90% p.a. payable on a semi-annual basis. In October 2022, the Bank bought back the bonds and re-issued them in November 2022, which resulted in the partial secondary placement of bonds. The coupon rate on the bonds was set at 10.25% p.a. with the offer date in October 2023. Purchase of the bonds of the issue under the offer resulted in the partial secondary placement of bonds. The coupon rate on the bonds was set at 13.25% p.a. with the offer date in October 2025. As at 31 December 2024, the volume of publicly traded bonds of this issue amounted to RUB 2.340 billion (31 December 2023: RUB 2,340 billion). No hedging transactions were entered into for this issue after the offer considering the Bank's OCP structure and planned pipeline of a new asset portfolio (Note 11).

When placing bonds in currencies other than euros and without natural hedge, with no planned portfolio of new projects (earning assets), the Bank entered into cross-currency interest rate contracts to regulate currency risks (Note 11).

17. Capital of the Bank

In accordance with the Agreement, the authorized capital of IBEC consists of equity contributions from IBEC member countries and amounts to EUR 400,000 thousand.

As at 31 December 2024 and 31 December 2023, members of the Bank are three countries: the Socialist Republic of Vietnam, Mongolia and the Russian Federation.

In 2023, the Republic of Poland, the Slovak Republic, the Czech Republic, Romania and the Republic of Bulgaria withdrew from the Agreement on the Organization and Activities of IBEC in accordance with advance notifications.

On 24 January 2023, the IBEC Council comprising representatives of eight member countries approved the key parameters for the settlement of mutual claims and liabilities with these countries, which shall form the basis for bilateral agreements between IBEC and the governments of each country that withdrew in 2023 on the final settlement of mutual claims and liabilities and which provide for the 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

On 22 November 2024, IBEC and the Republic of Poland signed an agreement on the final settlement of mutual claims and liabilities as the Republic of Poland withdrew from the Agreement on the Organization and Activities of IBEC and IBEC membership, which became effective on 25 November 2024. On 25 November 2024, IBEC made the first payment to the Republic of Poland in the amount of EUR 25.7 thousand for 2023. On 26 November 2024, the Bank paid EUR 51.4 thousand. Therefore, due to these payments the amount of the paid-in capital of IBEC decreased by EUR 77.1 thousand.

At the same time, as of December 31, 2024, bilateral agreements with other withdrawn countries have not been signed (bilateral consultations are underway between IBEC and withdrawn countries on draft bilateral agreements submitted by the Bank).

(EUR thousand)

17. Share capital of the Bank (continued)

The paid-in capital of IBEC consists of the paid-in shares of the Bank's member countries and contributions of such countries as the Republic of Poland, the Slovak Republic, the Czech Republic, Romania and the Republic of Bulgaria that withdrew from the Agreement on the Organization and Activities of IBEC in 2023.

The paid-in capital of IBEC as at 31 December 2024 amounts to EUR 199,923 thousand (31 December 2023: EUR 200,000 thousand). The allocation of the countries' shares in the Bank's paid-in capital is provided below:

	2024	*2023*
Member countries of the Bank	**106,605**	**106,605**
Russian Federation	103,179	103,179
Mongolia	2,668	2,668
Socialist Republic of Vietnam	758	758
Withdrawing countries	**93,318**	**93,395**
Czech Republic	26,684	26,684
Republic of Poland	23,939	24,016
Republic of Bulgaria	15,121	15,121
Romania	14,232	14,232
Slovak Republic	13,342	13,342
Total	**199,923**	**200,000**

18. Credit-related commitments

Credit-related commitments comprise the following:

	2024	*2023*
Guarantees issued	91,178	60,885
Total credit-related commitments	**91,178**	**60,885**
Allowance for expected credit losses (Notes 13 and 23)	(849)	(766)
Credit-related commitments	**90,329**	**60,119**

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

	2024	*2023*
Russian Federation	90,329	58,790
Czech Republic	–	1,000
Slovak Republic	–	197
Republic of Poland	–	132
Total	**90,329**	**60,119**

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(EUR thousand)

18. Credit-related commitments (continued)

An analysis of changes in the amount of commitments and changes in the provision 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 2024	**60,885**	**–**	**60,885**
New exposures	123,190	–	**123,190**
Exposures expired or amounts paid	(87,495)	–	**(87,495)**
Changes in currency exchange rates	(5,402)	–	**(5,402)**
Amount of commitments at 31 December 2024	**91,178**	**–**	**91,178**
Allowance for expected credit losses at 1 January 2024	**766**	**–**	**766**
New exposures	1,209	–	**1,209**
Exposures expired or amounts paid	(277)	–	**(277)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(855)	–	**(855)**
Changes in currency exchange rates	6	–	**6**
Allowance for expected credit losses at 31 December 2024	**849**	**–**	**849**
Amount of commitments at 1 January 2023	**33,751**	**18,433**	**52,184**
New exposures	41,828	924	**42,752**
Transfer from Stage 2 to Stage 1	4,536	(4,536)	**–**
Exposures expired or amounts paid	(12,691)	(13,186)	**(25,877)**
Changes in currency exchange rates	(6,539)	(1,635)	**(8,174)**
Amount of commitments at 31 December 2023	**60,885**	**–**	**60,885**
Allowance for expected credit losses at 1 January 2023	**4,896**	**2,187**	**7,083**
New exposures	9,780	1,319	**11,099**
Transfer from Stage 2 to Stage 1	56	(56)	**–**
Exposures expired or amounts paid	(1,385)	(1,042)	**(2,427)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	(11,520)	(2,229)	**(13,749)**
Changes in currency exchange rates	(1,061)	(179)	**(1,240)**
Allowance for expected credit losses at 31 December 2023	**766**	**–**	**766**

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.

When issuing guarantees 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.

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(EUR thousand)

19. Interest income and interest expense

	2024	*2023*
Interest income		
Interest income calculated using the EIR method		
Loans to corporate customers	17,094	9,241
Securities at fair value through other comprehensive income	15,452	4,839
Due from banks and financial institutions, including cash and cash equivalents	10,090	5,155
Securities at amortized cost	4,203	1,970
Other	616	411
Other interest income		
Securities at fair value through profit or loss	69	118
Total interest income	**47,524**	**21,734**
Interest expense		
Interest expense calculated using the EIR method		
Debt securities issued	(24,354)	(8,094)
Due to financial institutions	(7,819)	(1,470)
Due to customers	(7,322)	(942)
Other	(85)	(1)
Total interest expense	**(39,580)**	**(10,507)**
Net interest income	**7,944**	**11,227**

20. Net fee and commission income

	2024	*2023*
Documentary operations	1,260	670
Commissions for support of credit products	204	348
Currency control	75	43
Accounts maintenance	51	43
Cash and settlement operations	33	27
Other	9	–
Fee and commission income	**1,632**	**1,131**
Fee and commission expense	(805)	(951)
Net fee and commission income	**827**	**180**

21. 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:

	2024	*2023*
Result from disposal of debt securities		
(Losses)/gains from operations with securities	(16)	169
Losses from revaluation of securities due to their disposal	(151)	(2,219)
Total net losses from operations with securities at fair value through other comprehensive income	**(167)**	**(2,050)**

The loss from the revaluation of securities at fair value through other comprehensive income due to their disposal in 2024 is reclassified from other comprehensive income to net losses from operations with securities at fair value through other comprehensive income.

Unrealized (losses)/ gains from operations with securities at fair value through other comprehensive income in 2024 amounted to EUR (20,312) thousand (2023: EUR 11,685 thousand).

(EUR thousand)

22. Administrative and management expenses

	2024	2023
Staff costs	8,916	7,534
Repair and maintenance of the building, equipment and apartments	1,705	1,618
Depreciation of property, plant and equipment	1,362	1,390
Information and advisory expenses	303	416
Building security expenses	289	287
Other administrative and management expenses	1,441	1,030
Total administrative and management expenses	**14,016**	**12,275**

Staff costs comprise contributions to:

	2024	2023
Social Fund of the Russian Federation (until 2023: Pension Fund and Compulsory Medical Insurance Fund of the Russian Federation)	1,210	1,046
Pension funds of other IBEC member countries	8	33
Total	**1,218**	**1,079**

23. 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 2024 and 2023:

2024	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	–	–	(2)	**(2)**
Securities at fair value through other comprehensive income	7	(2,973)	(182)	–	**(3,155)**
Due from banks and financial institutions	8	42	–	(19)	**23**
Securities at amortized cost	9	(212)	956	–	**744**
Loans to corporate customers	10	2,874	(455)	–	**2,419**
Credit-related commitments	18	77	–	–	**77**
Other financial assets	13	–	–	(6,570)	**(6,570)**
		(192)	**319**	**(6,591)**	**(6,464)**

2023	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	13	(19)	–	**(6)**
Securities at fair value through other comprehensive income	7	485	1,060	–	**1,545**
Due from banks and financial institutions	8	(77)	2,370	(9,294)	**(7,001)**
Securities at amortized cost	9	274	1,096	–	**1,370**
Loans to corporate customers	10	(1,980)	(3,783)	(19)	**(5,782)**
Credit-related commitments	18	(3,125)	(1,952)	–	**(5,077)**
Other financial assets	13	18,657	65	–	**18,722**
		14,247	**(1,163)**	**(9,313)**	**3,771**

(EUR thousand)

23. Allowances for expected credit losses (continued)

The reconciliation of balances of the allowance for expected credit losses from financial assets as at 31 December 2024 and 31 December 2023 is presented below:

	Cash and cash equivalents	*Securities at fair value through other comprehensive income*	*Securities at amortized cost*	*Due from banks and financial institutions*	*Loans to corporate customers*	*Credit-related commitments*	*Other financial assets*	*Total*
Balance at 1 January 2024	**7**	**9,430**	**3,975**	**3,141**	**4,001**	**766**	**18,723**	**40,043**
New originated or purchased assets	–	849	57	621	5,338	1,209	2,635	**10,709**
Assets derecognized or redeemed (excluding write-offs)	(2)	(3,617)	(1,291)	(406)	(2,860)	(277)	(15,118)	**(23,571)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	–	(387)	1,978	(192)	(59)	(855)	5,914	**6,399**
Write-offs	–	–	–	–	–	–	(1)	**(1)**
Changes in currency exchange rates	–	109	97	26	(140)	6	353	**451**
Balance at 31 December 2024	**5**	**6,384**	**4,816**	**3,190**	**6,280**	**849**	**12,506**	**34,030**
Balance at 1 January 2023	**28**	**8,933**	**2,608**	**10,453**	**10,808**	**7,083**	**82**	**39,995**
New originated or purchased assets	3,072	15,286	2,277	4,132	13,291	11,099	9,037	**58,194**
Assets derecognized or redeemed (excluding write-offs)	(3,135)	(4,863)	(72)	(13,363)	(10,285)	(2,427)	(4,509)	**(38,654)**
Changes in models and inputs used for ECL calculations and as a result of transfer from one Stage to another	57	(8,878)	(835)	2,230	(8,788)	(13,749)	14,194	**(15,769)**
Write-offs	–	–	–	–	–	–	(1)	**(1)**
Changes in currency exchange rates	(15)	(1,048)	(3)	(311)	(1,025)	(1,240)	(80)	**(3,722)**
Balance at 31 December 2023	**7**	**9,430**	**3,975**	**3,141**	**4,001**	**766**	**18,723**	**40,043**

(EUR thousand)

24. Other provisions

Movements in other provisions are presented below:

	Provision for unused vacations	*Total*
1 January 2024	**379**	**379**
Charge	72	**72**
Write-offs	(34)	**(34)**
31 December 2024	**417**	**417**
1 January 2023	**416**	**416**
Charge	47	**47**
Write-offs	(84)	**(84)**
31 December 2023	**379**	**379**

25. 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 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 is the Bank's executive body 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 Bank's Board in lending activities and credit risk management in accordance with the Bank's goals and objectives. The CC reports to the Board of 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 Management of the Bank.

(EUR thousand)

25. Risk management (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 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 very 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 and aversion. The Bank receives 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)

25. Risk management (continued)

Credit risk (continued)

The Bank considers credit ratings assigned by international rating 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, if necessary.

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 assigned 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 18.

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); or
- 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 at 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)

25. Risk management (continued)

Credit risk (continued)

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

Criteria for the determination of a 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 a 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 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).

(EUR thousand)

25. Risk management (continued)

Credit risk (continued)

Each position exposed to credit risk is classified as having a certain level of 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, 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 or in its business;
- 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 international and local 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)

25. 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 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 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 received from publicly available and specialized databases and information aggregators.

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 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)

25. 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 ratings using the scale of internal credit ratings, 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 31 December 2024:

	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	110	–	–	**110**
Correspondent accounts with internationally rated banks	12,331	–	–	**12,331**
Correspondent accounts with banks having internal credit ratings only	2,479	–	5	**2,484**
Total	**14,920**	**–**	**5**	**14,925**
Allowance for expected credit losses	–	–	(5)	**(5)**
Carrying amount	**14,920**	**–**	**–**	**14,920**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	11,468	2,990	–	**14,458**
Internally rated only	155,907	16,005	–	**171,912**
Carrying amount	**167,375**	**18,995**	**–**	**186,370**
Allowance for expected credit losses	**(1,148)**	**(5,236)**	**–**	**(6,384)**

(continued on the next page)

(EUR thousand)

25. Risk management (continued)

Credit risk (continued)

	Stage 1 12-month ECL	*Stage 2* Lifetime ECL	*Stage 3* Lifetime ECL	*Total*
Securities at amortized cost				
Held by the Bank				
Internationally rated	–	3,983	–	**3,983**
Internally rated only	31,876	5,067	110	**37,053**
Total	**31,876**	**9,050**	**110**	**41,036**
Allowance for expected credit losses	(182)	(4,524)	(110)	**(4,816)**
Carrying amount	**31,694**	**4,526**	**–**	**36,220**
Due from banks and financial institutions				
Internationally rated	37,289	–	1,689	**38,978**
Internally rated only	8,724	–	1,230	**9,954**
Total	**46,013**	**–**	**2,919**	**48,932**
Allowance for expected credit losses	(271)	–	(2,919)	**(3,190)**
Carrying amount	**45,742**	**–**	**–**	**45,742**
Loans to corporate customers				
Internally rated only	123,446	25,442	521	**149,409**
Total	**123,446**	**25,442**	**521**	**149,409**
Allowance for expected credit losses	(1,363)	(4,396)	(521)	**(6,280)**
Carrying amount	**122,083**	**21,046**	**–**	**143,129**
Other financial assets				
Internally rated only	881	–	12,504	**13,385**
Total	**881**	**–**	**12,504**	**13,385**
Allowance for expected credit losses	(2)	–	(12,504)	**(12,506)**
Carrying amount	**879**	**–**	**–**	**879**

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(EUR thousand)

25. 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 2023:

	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	5,783	–	–	**5,783**
Correspondent accounts with internationally rated banks	6,621	–	–	**6,621**
Correspondent accounts with banks having internal credit ratings only	6,535	–	7	**6,542**
Total	**18,939**	**–**	**7**	**18,946**
Allowance for expected credit losses	–	–	(7)	**(7)**
Carrying amount	**18,939**	**–**	**–**	**18,939**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	12,798	8,418	–	**21,216**
Internally rated only	68,452	20,303	–	**88,755**
Carrying amount	**81,250**	**28,721**	**–**	**109,971**
Allowance for expected credit losses	**(763)**	**(8,564)**	**–**	**(9,327)**
Pledged under repurchase agreements				
Internally rated only	62,361	–	–	**62,361**
Carrying amount	**62,361**	**–**	**–**	**62,361**
Allowance for expected credit losses	**(103)**	**–**	**–**	**(103)**

(continued on the next page)

(EUR thousand)

25. Risk management (continued)

Credit risk (continued)

	Stage 1	*Stage 2*	*Stage 3*	
	12-month ECL	***Lifetime ECL***	***Lifetime ECL***	***Total***
Securities at amortized cost				
Held by the Bank				
Internationally rated	5,054	3,745	–	**8,799**
Internally rated only	22,444	9,603	110	**32,157**
Total	**27,498**	**13,348**	**110**	**40,956**
Allowance for expected credit losses	(395)	(3,470)	(110)	**(3,975)**
Carrying amount	**27,103**	**9,878**	**–**	**36,981**
Due from banks and financial institutions				
Internationally rated	63,722	–	1,690	**65,412**
Internally rated only	30,940	–	1,228	**32,168**
Total	**94,662**	**–**	**2,918**	**97,580**
Allowance for expected credit losses	(223)	–	(2,918)	**(3,141)**
Carrying amount	**94,439**	**–**	**–**	**94,439**
Loans to corporate customers				
Internally rated only	117,168	13,261	521	**130,950**
Total	**117,168**	**13,261**	**521**	**130,950**
Allowance for expected credit losses	(2,207)	(1,273)	(521)	**(4,001)**
Carrying amount	**114,961**	**11,988**	**–**	**126,949**
Other financial assets				
Internationally rated	–	–	12,484	**12,484**
Internally rated only	9,725	–	6,237	**15,962**
Total	**9,725**	**–**	**18,721**	**28,446**
Allowance for expected credit losses	(2)	–	(18,721)	**(18,723)**
Carrying amount	**9,723**	**–**	**–**	**9,723**

As at 31 December 2024, all credit-related commitments less allowances for expected credit losses in the amount of EUR 91,178 thousand relate to Stage 1. As at 31 December 2023, credit-related commitments less allowances for expected credit losses in the amount of EUR 60,885 thousand relate to Stage 1. In 2024 there were no transfers of credit-related commitments between Stages (in 2023, credit-related commitments in the amount of EUR 4,536 thousand were transferred from Stage 2 to Stage 1).

(EUR thousand)

25. 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 31 December 2024:

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 other comprehensive income held by the Bank*	*Securities at amortized cost held by the Bank*	*Due from banks and financial institutions*	*Loans to corporate customers*	*Derivative financial assets*	*Other financial assets*	*Total*	*Share, %*
Russian Federation	2,538	4,190	170,241	34,229	6,659	77,074	1,230	853	**297,014**	**68,63**
Mongolia	10,801	–	–	–	28,664	35,554	–	–	**75,019**	**17,33**
Republic of Bulgaria	–	–	3,067	–	–	12,552	–	–	**15,619**	**3,61**
Socialist Republic of Vietnam	166	–	–	–	–	11,219	–	–	**11,385**	**2,63**
Republic of Poland	4	–	4,592	–	–	6,730	–	–	**11,326**	**2,62**
Czech Republic	–	–	2,990	1,991	–	–	–	–	**4,981**	**1,15**
Romania	–	–	3,809	–	–	–	–	–	**3,809**	**0,88**
IFI[2]	–	–	1,671	–	–	–	–	–	**1,671**	**0,38**
Other countries	1,411	–	–	–	10,419	–	126	26	**11,982**	**2,77**
Total	**14,920**	**4,190**	**186,370**	**36,220**	**45,742**	**143,129**	**1,356**	**879**	**432,806**	**100**

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

[2] IFI – international financial funds and institutions.

(EUR thousand)

25. 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 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 comprehensive income held by the Bank	Securities at fair value through other comprehensive income pledged under repurchase agreements	Securities at amortized cost held by the Bank	Securities at amortized cost pledged under repurchase agreements	Due from banks and financial institutions	Loans to corporate customers	Derivative financial assets	Other financial assets	Total	Share, %
Russian Federation	12,146	1,646	2,909	88,755	62,361	29,226	–	30,930	46,501	–	9,720	**284,194**	**61,26**
Mongolia	4,683	–	–	–	–	–	–	44,336	37,133	–	–	**86,152**	**18,57**
Republic of Bulgaria	–	–	–	3,099	–	5,010	–	–	16,951	–	2	**25,062**	**5,40**
Socialist Republic of Vietnam	167	–	–	–	–	–	–	–	13,865	–	–	**14,032**	**3,02**
Republic of Poland	6	–	–	3,716	–	–	–	–	7,341	–	–	**11,063**	**2,39**
Czech Republic	–	–	–	1,949	–	2,745	–	–	–	–	–	**4,694**	**1,01**
Romania	–	–	–	4,034	–	–	–	–	–	–	–	**4,034**	**0,87**
IFI[3]	–	–	–	1,529	–	–	–	–	–	–	–	**1,529**	**0,33**
Slovak Republic	–	–	–	–	–	–	–	–	129	–	–	**129**	**0,03**
Other countries	1,937	–	–	6,889	–	–	–	19,173	5,029	–	1	**33,029**	**7,12**
Total	**18,939**	**1,646**	**2,909**	**109,971**	**62,361**	**36,981**	**–**	**94,439**	**126,949**	**–**	**9,723**	**463,918**	**100**

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

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[3] IFI –international financial funds and institutions.

(EUR thousand)

25. 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 (except IBEC's liabilities at fair value to the Republic of Poland recognized in other liabilities, the nominal value of which as at 31 December 2024 is EUR 23,939 thousand and will be repaid by 30 June 2042) as at 31 December 2024 and 31 December 2023 based on contractual undiscounted cash flows. Repayments which are subject to notice are treated as if notice were to be given immediately.

2024	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 financial institutions	24,380	–	2,698	36,303	63,381	**54,598**
Due to customers	17,457	22,532	38,858	–	78,847	**70,210**
Debt securities issued	–	16,168	35,873	133,420	185,461	**141,874**
Other liabilities	5,142	–	–	–	5,142	**5,142**
Gross settled derivative financial instruments						
- Inflow	*4,597*	*559*	*8,487*	–	*13,643*	***4,484***
- Outflow	*(4,524)*	*(3,787)*	*(3,538)*	–	*(11,849)*	***(4,227)***
Total	**47,052**	**35,472**	**82,378**	**169,723**	**334,625**	**272,081**

2023	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 financial institutions	60,292	5,115	2,560	41,309	109,276	**99,105**
Due to customers	15,362	24	7,197	–	22,583	**22,581**
Debt securities issued	–	59,546	2,477	108,710	170,733	**147,073**
Other liabilities	10,694	–	–	–	10,694	**10,694**
Gross settled derivative financial instruments						
- Inflow	*(34,685)*	*(21,064)*	*(204)*	*(396)*	*(56,349)*	***(57,536)***
- Outflow	*32,212*	*26,063*	*235*	*471*	*58,981*	***63,791***
Total	**83,875**	**69,684**	**12,265**	**150,094**	**315,918**	**285,708**

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
31 December 2024	90,329	–	–	–	–	**90,329**
31 December 2023	60,119	–	–	–	–	**60,119**

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 31 December 2024 and 31 December 2023 by contractual maturity.

(EUR thousand)

25. Risk management (continued)

Classification of assets and liabilities by maturity (continued)

Quoted debt securities that are highly liquid securities, which 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." 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.

2024 г.	*On demand and less than 1 month*	*1 to 6 months*	*6 to 12 months*	*12 months to 5 years*	*Over 5 years*	*Overdue*	*Excluded from analysis[4]*	*Total*
Cash and cash equivalents	17,176	–	–	–	–	–	–	**17,176**
Securities at fair value through profit or loss								
- Held by the Bank	*4,190*	–	–	–	–	–	–	***4,190***
Securities at fair value through other comprehensive income								
- Held by the Bank	*177,698*	–	–	–	–	–	*8,672*	***186,370***
Securities at amortized cost								
- Held by the Bank	–	*3,333*	–	*25,528*	*2,834*	–	*4,525*	***36,220***
Due from banks and financial institutions	13,744	3,848	12,909	15,241	–	–	–	**45,742**
Loans to corporate customers	22,376	18,799	30,405	34,577	32,165	4,807	–	**143,129**
Derivative financial assets	126	–	1,230	–	–	–	–	**1,356**
Other financial assets	695	–	–	184	–	–	–	**879**
Total financial assets	**236,005**	**25,980**	**44,544**	**75,530**	**34,999**	**4,807**	**13,197**	**435,062**
Due to financial institutions	24,181	–	2,016	19,087	9,314	–	–	**54,598**
Due to customers	17,427	21,630	31,153	–	–	–	–	**70,210**
Derivative financial liabilities	44	–	213	–	–	–	–	**257**
Debt securities issued	–	3,922	21,913	116,039	–	–	–	**141,874**
Other financial liabilities	3,876	–	–	–	–	–	1,853	**5,729**
Total financial liabilities	**45,528**	**25,552**	**55,295**	**135,126**	**9,314**	**–**	**1,853**	**272,668**
Net position	**190,477**	**428**	**(10,751)**	**(59,596)**	**25,685**	**4,807**	**11,344**	**162,394**
Cumulative liquidity gap for financial instruments	**190,477**	**190,905**	**180,154**	**120,558**	**146,243**	**151,050**	**162,394**	**–**

2023	*On demand and less than 1 month*	*1 to 6 months*	*6 to 12 months*	*12 months to 5 years*	*Over 5 years*	*Overdue*	*Excluded from analysis[5]*	*Total*
Cash and cash equivalents	21,559	–	–	–	–	–	–	**21,559**
Securities at fair value through profit or loss								
- Held by the Bank	*1,646*	–	–	–	–	–	–	***1,646***
- Pledged under repurchase agreements	*2,909*	–	–	–	–	–	–	***2,909***
Securities at fair value through other comprehensive income								
- Held by the Bank	*81,250*	–	–	–	–	–	*28,721*	***109,971***
- Pledged under repurchase agreements	*57,092*	*5,269*	–	–	–	–	–	***62,361***
Securities at amortized cost								
- Held by the Bank	–	–	*8,827*	*18,276*	–	–	*9,878*	***36,981***
Due from banks and financial institutions	55,039	25,118	14,023	259	–	–	–	**94,439**
Loans to corporate customers	3,575	12,365	49,502	39,801	17,944	3,762	–	**126,949**
Derivative financial assets	–	–	–	–	–	–	–	**–**
Other financial assets	9,610	6	15	92	–	–	–	**9,723**
Total financial assets	**232,680**	**42,758**	**72,367**	**58,428**	**17,944**	**3,762**	**38,599**	**466,538**
Due to financial institutions	57,797	5,047	–	–	36,261	–	–	**99,105**
Due to customers	15,320	23	7,238	–	–	–	–	**22,581**
Derivative financial liabilities	501	5,730	–	24	–	–	–	**6,255**
Debt securities issued	–	51,760	–	95,313	–	–	–	**147,073**
Other financial liabilities	9,549	–	–	–	–	–	–	**9,549**
Total financial liabilities	**83,167**	**62,560**	**7,238**	**95,337**	**36,261**	**–**	**–**	**284,563**
Net position	**149,513**	**(19,802)**	**65,129**	**(36,909)**	**(18,317)**	**3,762**	**38,599**	**181,975**
Cumulative liquidity gap for financial instruments	**149,513**	**129,711**	**194,840**	**157,931**	**139,614**	**143,376**	**181,975**	**–**

[4] Assets excluded from the liquidity risk analysis are as follows: restricted cash and securities of the Bank, including those restricted due to sanctions imposed on depositories that store IBEC's securities, as the date of their return is difficult to forecast, and IBEC's liabilities to the Republic of Poland.

[5] Assets excluded from the liquidity risk analysis are as follows: restricted cash and securities of the Bank, including those restricted due to sanctions imposed on depositories that store IBEC's securities, as the date of their return is difficult to forecast.

(EUR thousand)

25. Risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates 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 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.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating-rate non-trading financial assets and financial liabilities held as at 31 December. The sensitivity of equity is calculated by revaluing fixed-rate debt financial assets measured at FVOCI as at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve. Interest rate risk is managed primarily by monitoring changes in interest rates. The summary of the interest rate gap for major financial instruments for the main fixed-rate is as follows.

Interest rate sensitivity analysis

	2024		***2023***	
	Profit or loss	***Equity***	***Profit or loss***	***Equity***
100 bp parallel fall	**2**	**1**	**47**	**13**
EUR	56	55	(227)	(257)
USD	–	–	(87)	(87)
RUB	(55)	(55)	427	423
Other currencies	1	1	(66)	(66)
100 bp parallel rise	**(2)**	**(1)**	**(47)**	**(13)**
EUR	(56)	(55)	227	257
USD	–	–	87	87
RUB	55	55	(427)	(423)
Other currencies	(1)	(1)	66	66

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(EUR thousand)

25. 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 31 December 2024 and 31 December 2023. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2024					*2023*				
	Average interest rate, %					*Average interest rate, %*				
	EUR	***USD***	***RUB***	***CNY***	***Other currencies***	***EUR***	***USD***	***RUB***	***CNY***	***Other currencies***
Interest-bearing assets										
Correspondent accounts in banks in IBEC member countries and banks in other countries	0,02	0,13	–	0,14	0,30	0,16	0,67	–	–	0,02
Securities at fair value through profit or loss										
- *Held by the Bank*	*1,26*	–	–	–	–	*1,49*	–	–	–	–
- *Pledged under repurchase agreements*	–	–	–	–	–	*1,13*	–	–	–	–
Securities at fair value through other comprehensive income										–
- *Held by the Bank*	*2,20*	*3,33*	*15,58*	*6,29*	–	*2,50*	*3,33*	*11,56*	*3,80*	–
- *Pledged under repurchase agreements*	–	–	–	–	–	*2,25*	–	*8,30*	–	–
Securities at amortized cost										
- *Held by the Bank*	*2,20*	*8,50*	*20,89*	–	–	*0,52*	*3,78*	*15,33*	–	–
Due from banks and financial institutions	*9,08*	–	*20,53*	*8,40*	–	*8,83*	*3,13*	*15,99*	*8,10*	–
Loans to corporate customers	*7,75*	–	*24,38*	*9,50*	–	*8,23*	–	*16,14*	–	–
Consumer lending	*3,00*	–	–	–	–	6,36	–	–	–	–
Interest-bearing liabilities										
Due to financial institutions	*4,09*	–	*20,53*	*6,65*	–	4,37	–	15,64	–	–
Correspondent accounts	–	–	16,16	–	–	(0,50)	–	10,57	–	–
Due to customers	*1,78*	*3,00*	*22,60*	–	–	2,17	2,83	11,94	–	–
Debt securities issued	–	–	*16,16*	–	–	–	–	12,34	–	–

(EUR thousand)

25. 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 31 December 2024:

	Note	***EUR***	***USD***	***RUB***	***CNY***	***Other***	***Total***
Cash and cash equivalents		12,337	1,062	272	3,479	26	**17,176**
Securities at fair value through profit or loss							
- Held by the Bank		*4,190*	–	–	–	–	***4,190***
Securities at fair value through other comprehensive income			–	–	–	–	
- Held by the Bank		*92,961*	*7,442*	*76,091*	*9,876*	–	***186,370***
Securities at amortized cost							
- Held by the Bank		*2,533*	*1,991*	*31,696*	–	–	***36,220***
Due from banks and financial institutions		6,323	–	17,077	22,342	–	**45,742**
Loans to corporate customers		64,140	–	77,073	1,916	–	**143,129**
Other financial assets	13	336	–	518	25	–	**879**
Total financial assets		**182,820**	**10,495**	**202,727**	**37,638**	**26**	**433,706**
Due to financial institutions		32,689	10	19,994	1,905	–	**54,598**
Due to customers		9,245	61	60,712	192	–	**70,210**
Debt securities issued		–	–	141,874	–	–	**141,874**
Other financial liabilities	13	3,787	–	1,940	–	2	**5,729**
Total financial liabilities		**45,721**	**71**	**224,520**	**2,097**	**2**	**272,411**
Net balance sheet position		**137,099**	**10,424**	**(21,793)**	**35,541**	**24**	**161,295**
Net off-balance sheet position		**3,446**	**–**	**(1,162)**	**(1,185)**	**–**	**1,099**
Net balance sheet and off-balance sheet position		**140,545**	**10,424**	**(22,955)**	**34,356**	**24**	**162,394**

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(EUR thousand)

25. Risk management (continued)

Currency risk (continued)

The table below shows the general analysis of the currency risk of the Bank for its financial assets and liabilities as at 31 December 2023:

	Note	*EUR*	*USD*	*RUB*	*CNY*	*Other*	*Total*
Cash and cash equivalents		7,964	1,249	6,598	5,711	37	**21,559**
Securities at fair value through profit or loss							
- *Held by the Bank*		1,646	–	–	–	–	**1,646**
- *Pledged under repurchase agreements*		2,909	–	–	–	–	**2,909**
Securities at fair value through other comprehensive income							
- *Held by the Bank*		57,314	10,320	39,899	2,438	–	**109,971**
- *Pledged under repurchase agreements*		58,083	–	4,278	–	–	**62,361**
Securities at amortized cost							
- *Held by the Bank*		11,746	6,144	19,091	–	–	**36,981**
Due from banks and financial institutions		30,130	9,015	46,257	9,037	–	**94,439**
Loans to corporate customers		75,420	–	51,529	–	–	**126,949**
Other financial assets	13	2,154	–	7,569	–	–	**9,723**
Total financial assets		**247,366**	**26,728**	**175,221**	**17,186**	**37**	**466,538**
Due to financial institutions		36,519	10	62,576	–	–	**99,105**
Due to customers		9,302	72	12,876	316	15	**22,581**
Debt securities issued		–	–	147,073	–	–	**147,073**
Other financial liabilities	13	4,042	–	5,498	–	9	**9,549**
Total financial liabilities		**49,863**	**82**	**228,023**	**316**	**24**	**278,308**
Net balance sheet position		**197,503**	**26,646**	**(52,802)**	**16,870**	**13**	**188,230**
Net off-balance sheet position		**(25,195)**	**(28,271)**	**40,853**	**6,358**	**–**	**(6,255)**
Net balance sheet and off-balance sheet position		**172,308**	**(1,625)**	**(11,949)**	**23,228**	**13**	**181,975**

As at 31 December 2024 and 31 December 2023, 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 statement of profit or loss and other comprehensive income.

	2024	*2023*
20% appreciation of USD against EUR	2,085	(325)
20% appreciation of RUB against EUR	(4,591)	(2,390)
20% depreciation of USD against EUR	(2,085)	325
20% depreciation of RUB against EUR	4,591	2,390

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(EUR thousand)

25. Risk management (continued)

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.

26. Fair value measurement

Fair value measurements 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 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 Management 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.

Fair value hierarchy

The Bank uses the following hierarchy for measuring and disclosing fair values of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs, which have a significant effect on the recorded fair value 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 recorded fair value 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.

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(EUR thousand)

26. Fair value measurement (continued)

Fair value hierarchy (continued)

The following tables show the analysis of financial instruments presented in the financial statements at fair value by level of the fair value hierarchy as at 31 December 2024 and 31 December 2023:

2024	***Fair value measurement using*** ***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				
- Bonds of IBEC member countries	*3,449*	–	–	***3,449***
- Corporate bonds	*741*	–	–	***741***
Securities at fair value through other comprehensive income held by the Bank				
- Corporate bonds	*94,782*	–	–	***94,782***
- Bonds of IBEC member countries	*54,743*	–	–	***54,743***
- Corporate Eurobonds	*4,191*	*7,582*	*7,001*	***18,774***
- Bonds of banks	*9,524*	–	–	***9,524***
- Eurobonds of other countries	*6,876*	–	–	***6,876***
- Eurobonds of IBEC member countries	–	–	–	**–**
- Eurobonds of international financial institutions	–	–	*1,671*	***1,671***
Derivative financial assets	–	*1,356*	–	**1,356**
Property, plant and equipment – buildings	–	–	48,073	**48,073**
	174,306	**8,938**	**56,745**	**239,989**
Assets for which fair values are disclosed				
Cash and cash equivalents	17,176	–	–	**17,176**
Securities at amortized cost	36,220	–	–	**36,220**
Due from banks and financial institutions	–	–	45,742	**45,742**
Loans to corporate customers	–	–	143,129	**143,129**
Other financial assets	–	–	879	**879**
	53,396	**–**	**189,750**	**243,146**
Liabilities measured at fair value				
Derivative financial liabilities	–	257	–	**257**
Liabilities for which fair values are disclosed				
Due to financial institutions	–	–	54,598	**54,598**
Due to customers	–	–	70,210	**70,210**
Debt securities issued	141,874	–	–	**141,874**
	141,874	**–**	**124,808**	**266,682**

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(EUR thousand)

26. Fair value measurement (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
2023	***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	*831*	–	–	***831***
- Corporate bonds	*815*	–	–	***815***
Securities at fair value through profit or loss pledged under repurchase agreements				
- Eurobonds of IBEC member countries	*2,909*	–	–	***2,909***
Securities at fair value through other comprehensive income held by the Bank				
- Corporate bonds	*58,029*	–	–	***58,029***
- Corporate Eurobonds	*5,666*	–	*25,401*	***31,067***
- Eurobonds of other countries	*7,132*	–	–	***7,132***
- Bonds of banks	*7,118*	–	–	***7,118***
- Eurobonds of banks	–	–	*3,787*	***3,787***
- Eurobonds of international financial institutions	–	–	*1,529*	***1,529***
- Bonds of IBEC member countries	*794*	–	–	***794***
- Eurobonds of IBEC member countries	*515*	–	–	***515***
Securities at fair value through other comprehensive income pledged under repurchase agreements				
- Eurobonds of IBEC member countries	*46,509*	–	–	***46,509***
- Corporate bonds	*11,575*	–	–	***11,575***
- Bonds of IBEC member countries	*4,277*	–	–	***4,277***
Property, plant and equipment – buildings	–	–	49,103	**49,103**
	146,170	**–**	**79,820**	**225,990**
Assets for which fair values are disclosed				
Cash and cash equivalents	21,559	–	–	**21,559**
Securities at amortized cost	36,981	–	–	**36,981**
Due from banks and financial institutions	–	–	94,439	**94,439**
Loans to corporate customers	–	–	126,949	**126,949**
Other financial assets	–	–	9,723	**9,723**
	58,540	**–**	**231,111**	**289,651**
Liabilities measured at fair value				
Derivative financial liabilities	–	6,255	–	**6,255**
Liabilities for which fair values are disclosed				
Due to financial institutions	–	–	99,105	**99,105**
Due to customers	–	–	22,581	**22,581**
Debt securities issued	147,073	–	–	**147,073**
	147,073	**–**	**121,686**	**268,759**

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(EUR thousand)

26. Fair value measurement (continued)

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

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 unobservable 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

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets measured at fair value for 2024:

	Transfers from level 1 to level 2
Financial assets	
Securities at fair value through other comprehensive income held by the Bank	
- Corporate Eurobonds	7,582
Total	**7,582**

During 2024 there were no transfers from level 2 to level 1.

During 2023 there were no transfers from level 1 to level 2 and from level 2 to level 1.

Movements in level 3 financial instruments within the fair value hierarchy

During 2024, there were no transfers from level 1 to level 3 and from level 3 to level 1.

The following table shows transfers between level 1 and level 3 of the fair value hierarchy for financial assets measured at fair value for 2023:

	Transfers from level 1 to level 3
Financial assets	
Securities at fair value through other comprehensive income held by the Bank	
- Corporate Eurobonds	11,913
Total	**11,913**

(EUR thousand)

26. Fair value measurement (continued)

Securities at fair value (continued)

The following table shows transfers that occurred in 2023 between level 3 and level 1 of the fair value hierarchy for financial assets measured at fair value due to transfer of securities to the depository for the purpose of 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	831
Securities at fair value through profit or loss pledged under repurchase agreements	2,909
- Eurobonds of IBEC member countries	
Securities at fair value through other comprehensive income pledged under repurchase agreements	
- Eurobonds of IBEC member countries	4,572
Total	**8,312**

During 2024 and 2023, no assets were acquired to level 3 financial instruments of the fair value hierarchy.

The following table shows a reconciliation of the 2024 opening and closing balances of level 3 financial assets which are recorded at fair value:

	1 January 2024	*Total gains/ (losses) recognized in profit or loss*	*Total gains/ (losses) recognized in other comprehensive income*	*Acquisitions*	*Settlements*	*Replacements*	*31 December 2024*
Financial assets							
Securities at fair value through other comprehensive income	30,717	1,264	(2,705)	–	(7,904)	(12,700)	8,672
Property, plant and equipment – building	49,103	(1,032)	(201)	203	–	–	48,073
Total level 3 financial assets	**79,820**	**232**	**(2,906)**	**203**	**(7,904)**	**(12,700)**	**56,745**
Total net level 3 financial assets	**79,820**	**232**	**(2,906)**	**203**	**(7,904)**	**(12,700)**	**56,745**

The following table shows a reconciliation of the 2023 opening and closing balances of level 3 financial assets which are recorded at fair value:

	1 January 2023	*Total gains/ (losses) recorded in profit or loss*	*Total gains/ (losses) recognized in other comprehensive income*	*Acquisitions*	*Disposals*	*Settlements*	*Transfers from (to) Level 1 and Level 2*	*31 December 2023*
Financial assets								
Securities at fair value through profit or loss	3,958	(218)	–	–	–	–	(3,740)	–
Securities at fair value through other comprehensive income	23,535	(1,169)	3,929	–	(2,028)	(891)	7,341	30,717
Property, plant and equipment – building	50,093	(1,040)	–	50	–	–	–	49,103
Total level 3 financial assets	**77,586**	**(2,427)**	**3,929**	**50**	**(2,028)**	**(891)**	**3,601**	**79,820**
Total net level 3 financial assets	**77,586**	**(2,427)**	**3,929**	**50**	**(2,028)**	**(891)**	**3,601**	**79,820**

(EUR thousand)

26. Fair value measurement (continued)

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

As at 31 December 2024 and 31 December 2023, the fair value of financial assets and liabilities not carried at fair value in the statement of financial position did not differ significantly from their carrying amount. Financial assets and liabilities not recorded at fair value in the statement of financial position include amounts due from banks and financial institutions, loans to corporate customers, amounts due to financial institutions, amounts due to customers, debt securities issued and securities measured at amortized cost.

27. 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 (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 and international financial institutions (IFI) (with shareholders similar to IBEC). If at the time of a transaction, the country of exposure for the company 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 (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.

Management monitors operating results of each segment separately to make decisions on allocation of resources and to assess their operating performance. Segment performance is measured on the basis of operating profit or loss, which is calculated using a method different from that used to measure operating profit or loss in the financial statements, as indicated in the table below.

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(EUR thousand)

27. Segment reporting (continued)

The following table shows information about segment income, expenses and profit for 2024 and 2023, respectively:

2024	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income calculated using the EIR method	35,051	12,391	13	**47,455**
Other interest income	–	69	–	**69**
Interest expense	(37,972)	(1,553)	(55)	**(39,580)**
Net interest income (expense)	**(2,921)**	**10,907**	**(42)**	**7,944**
Reversal of allowance (allowance) for expected credit losses from financial assets	(3,183)	9,647	–	**6,464**
Net interest income (expense) after allowance for expected credit losses	**(6,104)**	**20,554**	**(42)**	**14,408**
Net fee and commission income (expense)	942	(115)	–	**827**
Net losses from operations with securities at fair value through profit or loss	–	(365)	–	**(365)**
Net losses from operations with securities at fair value through other comprehensive income	(1,881)	1,714	–	**(167)**
Net losses from operations with securities at amortized cost	(642)	–	–	**(642)**
Net gains (losses) from operations with derivative financial instruments and foreign currency	3,617	(9)	–	**3,608**
Lease income	–	–	1,546	**1,546**
Other banking income	22	73	337	**432**
Net losses from disposal of property, plant and equipment	–	–	(3)	**(3)**
Other provisions	–	–	(72)	**(72)**
Other banking expenses	(17)	(763)	(98)	**(878)**
Segment profit (loss)	**(4,063)**	**21,089**	**1,668**	**18,694**

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(EUR thousand)

27. Segment reporting (continued)

2023	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income calculated using the EIR method	14,287	7,325	4	**21,616**
Other interest income	48	70	–	**118**
Interest expense	(10,341)	(105)	(61)	**(10,507)**
Net interest income (expense)	**3,994**	**7,290**	**(57)**	**11,227**
Allowance (reversal of allowance) for expected credit losses from financial assets	20,285	(24,056)	–	**(3,771)**
Net interest income (expense) after allowance for expected credit losses	**24,279**	**(16,766)**	**(57)**	**7,456**
Net fee and commission income (expense)	563	(383)	–	**180**
Net losses from operations with securities at fair value through profit or loss	(142)	132	–	**(10)**
Net losses from operations with securities at fair value through other comprehensive income	(542)	(1,508)	–	**(2,050)**
Net losses from operations with securities at amortized cost	(253)	(149)	–	**(402)**
Net losses from operations with loans at amortized cost	–	–	–	**–**
Net gains (losses) from operations with derivative financial instruments and foreign currency	19,747	(12,149)	90	**7,688**
Lease income	–	–	1,709	**1,709**
Other banking income	8	272	272	**552**
Net losses from disposal of property, plant and equipment	–	–	(13)	**(13)**
Other provisions	–	–	(47)	**(47)**
Other banking expenses	(103)	(134)	(28)	**(265)**
Segment profit (loss)	**43,557**	**(30,685)**	**1,926**	**14,798**

The reconciliation of total segment profit with the Bank's profit is as follows:

	2024	***2023***
Total segment profit (loss)	**18,694**	**14,798**
Administrative and management expenses unallocated to segments	(14,016)	(12,275)
Profit (loss) for the year	**4,678**	**2,523**

The table below shows the assets and liabilities of the Bank's operating segments:

	Development portfolio	***Other banking activities***	***Other activities***	***Total***
Segment assets				
31 December 2024	304,281	129,965	51,899	**486,145**
31 December 2023	245,511	220,379	52,956	**518,846**

	Development portfolio	***Other banking activities***	***Other activities***	***Total***
Segment liabilities				
31 December 2024	245,736	24,880	3,318	**273,934**
31 December 2023	267,272	14,389	4,047	**285,708**

(EUR thousand)

27. Segment reporting (continued)

	Development portfolio	***Other banking activities***	***Other activities***	***Total***
Credit-related commitments				
31 December 2024	90,329	–	–	**90,329**
31 December 2023	60,119	–	–	**60,119**

In 2024, Bank's revenue from lease transactions with one external counterparty (2023: two external counterparties) exceeded 20% of the Bank's income for 2024 and amounted to EUR 489 thousand (2023: EUR 1,158 thousand).

The tables below show segment revenue from contracts with external customers for 2024 and 2023, respectively:

2024	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income	35,051	12,460	13	**47,524**
Fee and commission income	1,555	77	–	**1,632**
- Documentary operations	*1,260*	–	–	***1,260***
- Commissions for support of credit products	*204*	–	–	***204***
- Accounts maintenance	*36*	*15*	–	***51***
- Currency control	*28*	*47*	–	***75***
- Cash and settlement operations	*27*	*6*	–	***33***
- Other	–	*9*	–	***9***
Lease income	–	–	1,546	**1,546**
Total revenue from contracts with customers	**36,606**	**12,537**	**1,559**	**50,702**

2023	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income	14,335	7,395	4	**21,734**
Fee and commission income	1,095	36	–	**1,131**
- Documentary operations	*670*	–	–	***670***
- Commissions for support of credit products	*348*	–	–	***348***
- Accounts maintenance	*30*	*13*	–	***43***
- Currency control	*25*	*18*	–	***43***
- Cash and settlement operations	*22*	*5*	–	***27***
Lease income	–	–	1,709	**1,709**
Total revenue from contracts with customers	**15,430**	**7,431**	**1,713**	**24,574**

28. Related party transactions

For the purposes of these 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 2024, remuneration to the key management personnel of the Bank amounted to EUR 826 thousand (2023: EUR 1,180 thousand). Remuneration to the key management personnel of the Bank includes contributions to the Social Fund of the Russian Federation (until 2023: the Pension Fund and the Compulsory Medical Insurance Fund of the Russian Federation) in the amount of EUR 69 thousand (2023: EUR 53 thousand) and contributions to the pension funds in IBEC member countries in the amount of EUR 5 thousand for 2023.

(EUR thousand)

28. Related party transactions (continued)

Transactions with the Bank's key management personnel (continued)

As at 31 December 2024 and 31 December 2023, balances on the accounts of the Bank's key management personnel were as follows:

	2024	*2023*
Current accounts	50	170

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 transactions with government-related companies:

Statement of financial position	*2024*	*2023*
Assets		
Cash and cash equivalents	2,583	11,970
Securities at fair value through profit or loss	741	4,555
Securities at fair value through other comprehensive income	52,930	129,876
Securities at amortized cost	2,533	6,736
Due from banks and financial institutions	6,659	36,334
Loans to corporate customers	35,052	39,647
Derivative financial assets	1,230	–
Other assets	239	7,238
Liabilities		
Due to financial institutions	39,048	97,875
Due to customers	7,541	7,456
Derivative financial liabilities	257	6,255
Other liabilities	1,127	2,930
Off-balance sheet commitments		
Credit-related commitments	2,731	–

Amounts included in the statement of profit or loss and other comprehensive income for transactions with government-related companies for 2024 and 2023 are as follows:

Statement of profit or loss and other comprehensive income	*2024*	*2023*
Interest income calculated using the EIR method	13,776	10,440
Other interest income	64	69
Interest expense	(6,279)	(1,375)
Reversal of allowance for expected credit losses from financial assets	(468)	6,643
Fee and commission income	21	7
Fee and commission expense	(46)	(76)
Net gains (losses) from operations with securities at fair value through profit or loss	(1,199)	(142)
Net gains (losses) from operations with securities at fair value through other comprehensive income	1,256	(193)
Net losses from operations with securities at amortized cost	(4)	–
Net gains (losses) from operations with derivative financial instruments and foreign currency	2,556	(14,525)
Lease income	680	1,377
Other banking income	97	51
Administrative and management expenses	(168)	(244)
Other banking expenses	(1)	(1)

(EUR thousand)

29. 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 31 December 2024 and 31 December 2023 comprised 42.2% and 47.4%, respectively.

The table below shows the composition of the Bank's capital computed in accordance with the Basel Accord (Basel II) as at 31 December 2024 and 31 December 2023:

	2024	***2023***
Capital	212,211	233,138
Total capital	**212,211**	**233,138**
Risk-weighted assets		
Credit risk	382,276	393,605
Market risk	108,368	86,452
Operational risk	11,748	11,832
Total risk-weighted assets	**502,392**	**491,889**

30. Events after the reporting period

On 29 January 2025, the Analytical Credit Rating Agency (ACRA) upgraded IBEC's international scale credit rating to 'A-' (outlook 'Stable') and confirmed its national scale credit rating of 'AAA(RU)' (outlook 'Stable'). The credit rating upgrade is due to improved business profile assessment as a result of the Bank's approval of a new development strategy.

31. Significant accounting policies

Except for changes described in Note 3, the Bank consistently applied the following material accounting policies to all periods presented in these financial statements.

Interest income and expense

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to:

- Gross carrying amount of the financial asset, or
- Amortized cost of the financial liability.

(EUR thousand)

31. Significant accounting policies (continued)

Interest income and expense (continued)

When calculating the effective interest rate for financial instruments that are not initially recognized as credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, excluding expected credit losses (ECLs). For financial assets that are credit-impaired at initial recognition, the effective interest rate adjusted for credit risk is calculated using the expected future cash flows, including ECLs.

The effective interest rate is calculated using the transaction costs and fees and amounts paid or received, that are an integral part of the effective interest rate. Transaction costs include additional costs directly attributable to the acquisition or issue of the financial asset or liability.

Amortized cost and gross carrying amount

Amortized cost of the financial asset or liability is determined as the amount in which financial asset or liability is measured at initial recognition minus payments of principal amount, plus or minus accumulated amortization of the difference between the indicated initial amount and amount payable at maturity calculated using the effective interest rate method for financial assets and adjusted for the allowance for ECLs.

Gross carrying amount of the financial asset measured at amortized cost is the amortized cost of the financial asset before adjustment for the allowance for ECLs.

Calculation of interest income and expense

The effective interest rate for financial asset or financial liability is calculated at initial recognition of the financial asset or financial liability. When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is credit-impaired) or to the amortized cost of the liability.

The effective interest rate is revised following regular reassessment of cash flows from floating-rate instruments in order to reflect changes in the market interest rates.

However, for financial assets that become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer credit-impaired, calculation of interest income is based on the gross carrying amount.

For financial assets that are credit-impaired at initial recognition, interest income is calculated on the basis of the effective interest rate adjusted for credit risk applied to the amortized cost of the financial asset. Calculation of interest income for such assets is not based on the gross carrying amount even if the credit risk relevant to these assets will further decrease.

Presentation

Interest income calculated using the effective interest rate method and recorded in the statement of profit or loss and other comprehensive income includes:

- Interest income on financial assets at amortized cost
- Interest income on debt financial instruments at fair value through other comprehensive income (fvoci);
- The right to interest income on digital rights is recorded within interest income.

Other interest income recorded in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial assets at fair value through profit or loss (FVPL).

Interest expense recorded in the statement of profit or loss and other comprehensive income includes:

- Interest expense on financial liabilities at amortized cost;
- Interest expense on non-derivative debt financial liabilities at FVPL.

(EUR thousand)

31. Significant accounting policies (continued)

Fee and commission income and expense

Fee and commission income and expense that are an integral part of the effective interest rate on financial asset or financial liability are included in the calculation of the effective interest rate.

Additional fee and commission under the agreement that are not included in the effective interest rate are recorded as fee and commission income.

Other fee and commission expenses primarily include service costs that are expensed as respective services are received.

Net trading income

Net trading income consists of gains less losses related to assets and liabilities held for trading and includes all changes in fair value and foreign exchange differences.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, payment documents at the Bank's cash desk, balances with the Bank of Russia and balances of current accounts of IBEC member countries and other credit institutions, as well as all interbank loans with initial maturity not exceeding 7 days.

Financial assets and financial liabilities

Classification of financial assets (including digital rights)

A financial asset is classified at initial recognition as measured either at amortized cost or at FVOCI, or at FVPL.

A standard operation to sell or purchase any financial asset is recognized on the settlement date.

Settlement date is the date of the asset delivery. Under settlement date accounting, (a) the asset is recognized when received and (b) the asset is derecognized and the profit or loss on disposal of the asset is recognized when the asset is delivered.

Regular way purchases and sales of financial assets include transactions that require delivery within the time frame established by legislation or market convention.

A financial asset is measured at amortized cost if both of the following conditions are met and if the Bank selected not to measure it at FVPL:

- The asset is held under a business model designed to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest accrued on the principal amount outstanding.

A debt instrument is measured at FVOCI if both of the following conditions are met and if the Bank selected not to measure it at FVPL:

- The asset is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest accrued on the principal amount outstanding.

(EUR thousand)

31. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

For debt financial assets at FVOCI, gains and losses are recognized within other comprehensive income, except for the following items recognized within profit or loss in the same manner as for financial assets at amortized cost:

- Interest income calculated using the effective interest rate method;
- Ecls and reversed impairment losses; and
- Foreign exchange gains and losses.

When the financial asset at FVOCI is derecognized, accumulated gains and losses previously recognized within other comprehensive income are reclassified from equity to profit or loss.

All other financial assets are classified as measured at FVPL.

In addition, at initial recognition, the Bank may make an irrevocable election to designate a financial asset, which qualifies to be measured at amortized cost or FVOCI as measured at FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Reclassification

Financial assets are not reclassified after initial recognition, except for the period following the period when the Bank changes its business model to manage financial assets. The Bank should reclassify its financial assets only when it changes its business model to manage these financial assets. Such changes are expected to occur rarely. These changes should be determined by the Bank's management as resulting from external or internal developments and should be significant for the Bank's activities and evident to the third parties. Accordingly, the objective of the Bank's business model may be changed when, and only when, the Bank commences or ceases any operations significant to its business. This may be the case when the Bank acquires, disposes of or ceases certain business activities.

Financial liabilities may not be reclassified after initial recognition.

Business model assessment

The Bank assesses the business model under which the asset is held at the level of the portfolio of financial instruments, as it best reflects the model used to manage business and present information to management. The following information should be considered:

- Policies and objectives established to manage the portfolio, and actual use of the accounting policies. In particular, whether the bank's strategy is focused on generating contractual interest income, maintaining certain structure of interest rates, ensuring the match between the maturities of the financial assets and the maturities of financial liabilities used to finance these assets, and realizing cash flows through the sale of assets;
- The procedure to assess the performance of the portfolio and the way this information is communicated to the bank's management;
- Risks that affect the business model effectiveness (and the performance of financial assets held within that business model) and, in particular, the way these risks are managed;
- The procedure to reward business managers;
- Frequency, volume and timing of sales in prior periods, reasons for such sales and expected future level of sales. However, information on the level of sales should not be considered separately, but should be subject to a comprehensive integral analysis of how the Bank achieves its objective on asset management and how the cash flows are realized.

Financial assets held for trading, which are managed and their performance is evaluated on a fair value basis, are measured at FVPL, as they are not held solely to collect contractual cash flows as well as to collect contractual cash flows or sell financial assets.

(EUR thousand)

31. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Determining whether the contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, principal is defined as fair value of a financial asset at initial recognition. Interest is defined as consideration for the time value of money for credit risk related to principal amount outstanding for a certain period, as well as for other primary credit-related risks and costs (for example, liquidity risk and administrative expenses), and also include profit margin.

When determining whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion), the Bank analyzes contractual terms of the financial instrument. This includes the assessment of whether a financial asset contains a contractual provision that can change the terms or amount of contractual cash flows so that the financial assets will no longer comply with the requirement under analysis. When performing the assessment, the Bank considers:

- Contingencies that can change the terms or the amount of cash flows;
- Leverage features;
- Early repayment and extension provisions;
- Provisions limiting the Bank's claims with cash flows from the specified assets (e.g. non-recourse asset arrangements);
- Provisions that modify consideration for the time value of money (e.g. regular revision of the interest rate).

The Bank holds a portfolio of long-term loans with fixed interest rates in relation to which the Bank has the right to revise the interest rate in case of changes in economic environment. Borrowers may either accept the revised interest rate or repay the loan at the nominal value without significant penalties. The Bank determined that the contractual cash flows on these loans are solely payments of principal and interest, as due to this right the interest rate is changed in a way that interest represents consideration for the time value of money, credit risk, other credit-related primary risks and costs related to the primary outstanding amount. Consequently, the Bank considers these loans to be loans with floating interest rates in nature.

Financial liabilities

The Bank classifies financial liabilities as measured at amortized cost or at FVPL. Financial liabilities may not be reclassified after initial recognition.

Derecognition of financial assets and liabilities

The Bank derecognizes financial assets when:

- The assets are redeemed or the rights to cash flows from the assets have otherwise expired; or
- The Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement and (i) also transferred substantially all the risks and rewards of ownership of the assets or (ii) lost control over such assets.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety, and if the Bank retained all or part of the risks and rewards relating to the transferred assets.

The Bank derecognizes a financial liability when the contractual obligation is fulfilled, voided or expired.

When the financial asset is derecognized, the difference between the carrying amount of the asset (or the carrying amount allocated to the derecognized part of the asset) and the amount of consideration received (including the amount of the asset received less new assumed liability) and any accumulated profit or loss recognized within other comprehensive income, is recognized within profit or loss.

(EUR thousand)

31. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

The Bank enters into transactions whereby it transfers the assets recognized in the statement of financial position, but retains all or substantially all risks and rewards of ownership of transferred assets or their part. In such cases, transferred assets are not derecognized. Examples of such transactions include securities lending and repurchase transactions.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of the asset and retains control of the transferred asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset, determined as the Bank's exposure to the risk that the value of the transferred asset may be changed.

The Bank derecognizes a financial liability when the contractual obligation is fulfilled, voided or expired.

Modifications to the terms of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are changed, the Bank assesses whether cash flows related to such modified asset change substantially. If there is a substantial change in cash flows (substantial modification), the rights to contractual cash flows on original financial asset are considered to be expired. In such case, the original financial asset is derecognized and the new financial asset is recognized at fair value plus the respective transaction costs. Fees resulting from the modification are recognized as follows:

- Fees recognized when the fair value of the new asset is measured and fees comprising compensation of transactions costs are included in the initial measurement of this asset; and
- Other fees are recognized in profit or loss as part of profit or loss from derecognition.

If there is a non-substantial change in cash flows, in accordance with IFRS 9, the Bank recalculates the gross carrying amount of the financial asset (or amortized cost of the financial liability) by discounting modified contractual cash flows at the initial effective interest rate and recognizes any amount resulting from the adjustment as modification gain or loss within profit or loss.

The Bank performs quantitative and qualitative assessment of whether modification of terms is substantial, i.e., whether cash flows on the original financial asset and cash flows on modified or replaced financial asset are substantially different. The Bank performs qualitative and quantitative assessment of whether modification of terms is substantial by analyzing qualitative factors, quantitative factors and cumulative effect of qualitative and quantitative factors. If the cash flows are substantially different, the contractual rights to cash flows on the original financial asset are deemed to have expired. This assessment is based on the guidance on derecognition of financial liabilities.

The Bank concludes that the modification is substantial based on the following qualitative factors:

- The currency of a financial asset has changed;
- The collateral or other credit enhancement have changed.

Generally, if the modification results from the financial difficulties of the borrower, the objective of such modification is to recover the maximum value of the asset in accordance with the original terms of the agreement, and not to create (issue) a new asset on substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of a portion of contractual cash flows, then it first considers whether a part of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative assessment and results in non-compliance with the criteria for derecognition of the respective financial assets in such cases. The Bank also performs a qualitative assessment of whether the modification is substantial.

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(EUR thousand)

31. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

If the modification of the terms of the financial asset measured at amortized cost or FVOCI does not result in derecognition of this financial asset, the Bank recalculates the gross carrying amount of such asset using the original effective interest rate and recognizes the arising differences as modification gain or loss within profit or loss. For financial assets with floating interest rate, the original effective interest rate used to calculate modification gain or loss is adjusted in order to reflect current market conditions when modification takes place. Costs incurred and fees paid or earned as a result of such modification are used to adjust the gross carrying amount of the modified financial asset and are amortized over the remaining life of the modified financial asset.

If the modification takes place due to the financial difficulties of the borrower, the respective gain or loss are presented separately. In all other cases, the respective gain or loss are presented within interest income calculated using the effective interest rate method. For loans with fixed interest rates, where the borrower has the right of early repayment of the loan at the nominal value without penalties, a change in the interest rate to market level in response to a change in the market conditions is accounted for by the Bank in a way similar to the accounting for the instruments with the floating interest rate, i.e., the effective interest rate is revised prospectively.

Financial liabilities

The Bank derecognizes the financial liability when its terms are modified in such a way, that the amount of cash flows under the modified liability substantially changes. In such case, the new financial liability with modified terms is recognized at fair value. Difference between the carrying amount of the original financial liability and new financial liability with modified terms is recognized within profit or loss. Consideration paid includes transferred non-financial assets, if any, and assumed liabilities, including new modified financial liability.

The Bank performs qualitative and quantitative assessment of whether modification of terms is substantial by analyzing qualitative factors, quantitative factors and cumulative effect of qualitative and quantitative factors. The Bank concludes that modification is substantial based on the following qualitative factors:

- The currency of a financial liability has changed;
- The collateral or other credit enhancement has changed;
- Conversion term has been added;
- The subordination of a financial liability has changed.

For the purpose of quantitative assessment, the terms are considered to be substantially different if the present value of the cash flows under the modified terms, including net fees, discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows under the initial terms.

If modification of the terms of a financial liability does not result in its derecognition, the amortized cost of the liability is recalculated by discounting the modified cash flows using the original effective interest rate and the difference is recognized as modification gain or loss within profit or loss. For financial liabilities with a floating interest rate, the original effective interest rate used to calculate modification gain or loss is adjusted in order to reflect current market conditions when modification takes place. Costs incurred and fees paid as a result of modification are recognized as the adjustment to the carrying amount of the liability and are amortized over the remaining maturity of the modified financial liability by recalculating the respective effective interest rate.

Impairment of financial assets

Impairment applies to the following financial instruments that are not measured at FVPL:

- Financial assets that are debt instruments;
- Lease receivables; and
- Loan commitments and financial guarantee contracts.

(EUR thousand)

31. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

The model of expected credit losses is used.

Impairment loss is not recognized for investments in equity instruments.

Allowances for ECLs are recognized in the amount equal to 12-month expected credit losses or lifetime ECLs. Lifetime ECLs are ECLs arising from all probable defaults over the life of a financial instrument, and 12-month ECLs are part of ECLs arising from defaults that may occur during 12 months after the reporting date. Financial instruments for which 12 month ECLs are recognized, are included in Stage 1 financial instruments.

Lifetime ECLs are ECLs arising from all probable defaults over the life of a financial instrument. Financial instruments that are not purchased or originated credit impaired (POCI) assets for which lifetime ECLs are recognized, are included in Stage 2 (if the credit risk on financial instrument increased significantly after initial recognition but the financial instrument is not credit impaired) or Stage 3 (if the financial instrument is credit impaired).

The Bank recognizes allowances for ECLs in the amount of the lifetime ECLs, except for the following instruments, for which the allowance is based on 12 month ECLs:

- Debt investment securities that have low credit risk as at the reporting date; and
- Other financial instruments (except for lease receivables), for which the credit risk has not increased significantly since initial recognition.

The Bank believes that a debt security has low credit risk if its credit rating corresponds to the generally accepted definition of the investment quality.

Impairment of a digital right certifying a cash claim is recorded in allowances for expected credit losses from digital rights at amortized cost or through other comprehensive income.

12-month ECLs are ECLs resulting from defaults on a financial instrument that are possible within 12 months after the reporting date.

Measuring ECLs

ECLs are probability-weighted estimates of credit losses that are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Bank under the contract and cash flows that the Bank expects to receive);
- *Financial assets that are credit-impaired at the reporting date:* the difference between the gross carrying amount of assets and the present value of estimated future cash flows;
- *Unused portion of loan commitments:* the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive if the loan is issued;
- *Financial guarantees:* the present value of expected payments to reimburse the holder for a credit loss less any amounts that the Bank expects to recover.

Allowances for ECLs on lease receivables are measured in the amount of lifetime ECLs.

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(EUR thousand)

31. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Restructured financial assets

If the terms of the financial asset are revised or modified by mutual agreement of the parties, or if the existing financial asset is replaced by the new financial asset due to financial difficulties of the borrower, the assessment of whether the asset should be derecognized is made and ECLs are measured as follows:

- If the expected restructuring does not result in derecognition of the financial asset, expected cash flows on modified financial asset are included in the calculation of cash shortfalls on the existing asset;
- If the expected restructuring results in derecognition of the existing asset, the expected fair value of the new asset is treated as the final cash flows on the existing asset at the time of derecognition. This amount is included in calculating cash shortfalls on the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date the Bank assesses financial assets carried at amortized cost and debt financial assets carried at FVOCI for credit impairment. A financial asset is determined to be credit-impaired when there are one or more events that have a negative effect on the estimated future cash flows from this asset.

In particular, the following observable data may serve as the evidence of credit impairment of a financial asset:

- Significant financial difficulties of a borrower or an issuer;
- Breaches of the agreement, such as default or late payment;
- Probability of bankruptcy or any other reorganization of a borrower; or
- Disappearance of an active market for any security due to financial difficulties.

Generally, a loan, for which the terms were renegotiated in case of deterioration of financial position, is credit-impaired if there is no evidence of a significant decrease in the risk that contractual cash flows will not be received and there are no other indicators of impairment.

Recording allowance for ECLs in the statement of financial position

Allowance for ECLs is presented in the statement of financial position as follows:

- *Financial assets at amortized cost:* as the decrease of the gross carrying amount of these assets;
- *Debt instruments at FVOCI:* allowance for ECLs is not recorded in the statement of financial position as these assets are carried at their fair value. However, allowance for ECLs is disclosed and recognized within the fair value change provision;
- *Loan commitments and financial guarantee contracts:* generally, as a provision;
- *Where a financial instrument contains both drawn and undrawn component, and the Bank cannot determine the ECLs on the loan commitment separately from ECLs on the drawn component (loan issued):* the Bank presents cumulative allowance for ECLs for both components. This amount is presented as a decrease in the gross carrying amount of the drawn component (loan issued). Any excess of the allowance for ECLs over the gross carrying amount of the loan issued is recorded as a provision.

Due from banks and financial institutions comprise restricted cash balances held in correspondent nostro accounts.

(EUR thousand)

31. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Write-offs

Financial assets are subject to write-off (partial or full) when there is no reasonable expectation that they will be recovered. This is generally the case when the Bank determines that the borrower has no assets or sources of income that may generate cash flows in the adequate amount to settle debt subject to write-off. For written-off financial assets, the Bank continues its activities to collect debt. Recoveries of amounts previously written off are recorded within other banking income in the statement of profit or loss and other comprehensive income.

Loans to corporate customers

Loans to corporate customers recorded in the statement of financial position comprise loans to customers measured at amortized cost. Such loans are initially measured at fair value plus additional direct transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives used by the Bank include currency swaps, currency forwards and cross-currency interest rate swaps.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank offsets assets and liabilities on each currency swap separately for each part of the transaction.

Changes in the fair value of derivatives are recognized in profit or loss.

The method used to recognize profit or loss arising from changes in the fair value of the respective derivative depends on whether the derivative is a hedging instrument.

Hedge accounting

The Bank makes use of derivatives to manage exposures to fluctuations both of cash flows from interest received and paid, and of fair values for specifically determined items. Therefore, hedge accounting is used for operations that satisfy the criteria established in IFRS 9 Financial Instruments.

At inception of the hedge relationship, the Bank documents the relationship between the hedged item and the hedging instrument, including the nature of the hedging risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge. Hedging effectiveness is assessed at the inception of the hedge relationship and further on a monthly basis.

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the statement of profit or loss and other comprehensive income within net income (loss) from operations with derivatives and foreign currencies. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as an adjustment of the carrying amount of the hedged item in the statement of profit or loss and other comprehensive income within net income (losses) from operations with derivatives and foreign currencies.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised.

For designated and qualifying cash flow hedges, the effective portion of profit or loss of a hedging instrument is recognized through other comprehensive income in sub-item "Net income from cash flow hedges" and within the Bank's equity in the cash flow hedge reserve. The ineffective portion of profit or loss on hedging instrument is recognized immediately in the statement of profit or loss and other comprehensive income within net income (loss) from operations with derivatives and foreign currencies.

(EUR thousand)

31. Significant accounting policies (continued)

Derivative financial instruments (continued)

Accrued interest included in the fair value of foreign currency interest rate swap being the hedging instrument with determined relationship, is reclassified on a monthly basis from the cash flow hedge reserve to interest income or interest expense in the statement of profit or loss and other comprehensive income in order to reduce accrued interest expense/income on the respective hedged item, as it affects cash flows from the hedged item.

When a hedging instrument expires, or is sold, terminated or exercised, any cumulative income or expenses existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative income or expenses that were recorded in equity is immediately reclassified to net income (expenses) from operations with derivatives and foreign currencies.

Financial assets under repurchase agreements

Repurchase agreements comprise loans collateralized by securities.

Securities transferred under repurchase agreements without derecognition are recognized in the financial statements within those financial assets in which they were previously recognized.

The difference between the price to sell a security and repurchase price is recorded as interest expense and accrued over the life of repurchase agreement using the effective interest method.

Financial guarantees and loan commitments

Financial guarantees

Financial guarantee is an agreement, according to which the Bank must make payments to a holder of a guarantee to compensate for loss incurred by the latter as a result of the contractual borrower’s failure to make a payment within the time frames set by the debt instrument. Loan commitment is binding commitment to provide a loan on previously agreed terms and within the established time frames.

Issued financial guarantees and commitments to provide loans at a below-market rate are initially recognized at fair value, and are subsequently measured at the higher of the amount of the allowance for ECLs determined in accordance with IFRS 9 and initially recognized amount less, as applicable, accumulated income recognized in accordance with IFRS 15.

Loan commitments

For other loan commitments, the Bank recognizes allowance for ECLs.

Financial liabilities recognized with respect to the issued financial guarantees and loan commitments are included in provisions.

Property, plant and equipment

For accounting purposes, all property, plant and equipment are divided into the following groups: buildings, office equipment and computer hardware, furniture and vehicles.

The building is carried at fair value. All other property, plant and equipment and investments in property, plant and equipment and construction in progress items are stated at historical cost less accumulated depreciation and impairment.

Depreciation of all groups of property, plant and equipment is calculated using the straight-line method.

Depreciation of an asset begins when it is available for use and ends when the asset is derecognized.

(EUR thousand)

31. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is calculated over the following estimated useful lives of property, plant and equipment:

- Building – 67 years;
- Office equipment and computer hardware – from 2 to 10 years;
- Furniture – from 5 to 10 years;
- Vehicles – 5 years.

The decrease in the carrying amount of an asset as a result of impairment is charged to profit or loss.

Any revaluation surplus of a building is recorded in the statement of financial position within the property, plant and equipment revaluation reserve and is recognized within equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of profit or loss and other comprehensive income, in which case the increase is recognized in the statement of profit or loss and other comprehensive income. A revaluation deficit is recognized in the statement of profit or loss and other comprehensive income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus recorded in the property, plant and equipment revaluation reserve.

Property, plant and equipment revaluation reserve is taken directly to retained earnings (uncovered loss) when the asset is written off or disposed of.

Operating leases

Where the Bank acts as a lessor and assets are leased out under an operating lease, the lease payments receivable are recognized as lease income on a straight-line basis over the lease term.

Intangible assets

Intangible assets include software, licenses and trademarks.

An intangible asset is recognized at actual cost incurred to acquire and bring them to use, or at their contractual value.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are tested for impairment.

(EUR thousand)

31. Significant accounting policies (continued)

Finance lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments comprise fixed payments (including in-substance fixed payments) less any incentive lease payments to be received, variable lease payments that depend on a rate, and amounts that are expected to be paid under residual value guarantees. Lease payments also include the purchase option exercise price if the Bank is reasonably certain that it will exercise this option, and fines for lease termination if it is probable that the Bank may exercise its early termination option during the lease term.

Variable lease payments that do not depend on a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate in the respective currency set by the Bank at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substantially fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

For accounting purposes, the Bank applies the short-term lease recognition exemption to its short-term leases, i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Bank also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below EUR five (5) thousand).

Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

If the Bank has the option, under some of its new leases to lease the assets for additional term, the Bank will apply judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension option.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Due to financial institutions

Amounts due to financial institutions are recorded when cash or other assets are received by the Bank from financial institutions.

Term loans and deposits from banks and financial institutions are recognized in the financial statements at amortized cost using the effective interest rate method.

Due to customers

Amounts due to customers comprise non-derivative financial liabilities to state or corporate customers and individuals (employees of the Bank) and are carried at amortized cost.

(EUR thousand)

31. Significant accounting policies (continued)

Debt securities issued

Debt securities issued include bonds issued by the Bank.

Bonds issued are initially recognized at fair value. Fair value is measured at initial recognition using observable market inputs. If the effective interest rate on bonds issued is not substantially different form the market rate, the fair value of debt obligations at initial recognition is determined as the amount of raised funds.

Bonds issued are subsequently measured at amortized cost decreased by the amount of costs directly related to funds raised under the issue.

Debt securities are recorded at amortized cost using the effective interest method.

If the Bank purchases debt securities issued, these securities are excluded from the statement of financial position (and are recognized on off-balance sheet accounts), and the difference between the carrying amount of repaid or transferred debt obligation (or its part) and the amount of consideration paid by the Bank is recognized within gains less losses arising from termination of liabilities.

Revaluation reserve for property, plant and equipment

The revaluation reserve for property, plant and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

Revaluation reserve for securities at fair value through other comprehensive income

Revaluation reserve for securities at fair value through other comprehensive income reflects the change in the fair value and allowance for ECLs on financial assets at FVOCI.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain maturity or amount.

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required by the Bank to settle the obligations and a reliable estimate of the amount of obligations can be made.

Trade and other accounts payable

Accounts payable are recognized when the counterparty has fulfilled its obligations and are carried at amortized cost.

Currency translation

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the transaction date. For the purposes of the Bank's financial statements, any currency other than the euro is treated as a foreign currency.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are recorded in the financial statements in the functional currency (euro) at a rate of exchange ruling at the reporting date. Euro exchange rate is obtained from publicly available sources: the exchange rates of IBEC member country currencies are obtained from the websites of the respective countries' central banks, while the exchange rates of other currencies are obtained from the European Central Bank website.

Items of the statement of profit or loss and other comprehensive income denominated in foreign currencies are translated to the functional currency at the exchange rate effective at the date of such transaction. All foreign exchange differences are recorded in the statement of profit or loss and other comprehensive income.

(EUR thousand)

31. Significant accounting policies (continued)

Offset

Generally, financial assets and liabilities are not subject to offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expense recognition

Income and expenses are recognized in the financial statements using the accrual principle. These amounts are recognized in the statement of profit or loss and other comprehensive income with simultaneous recognition of debt in the statement of financial position, which is recorded as part of other assets and liabilities.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Income (expense) from disposal of digital rights is recognized at the settlement date.

Taxation

Pursuant to the Agreement and the Statutes of IBEC, the Bank is exempt of all direct taxes and duties, both national and local ones, in the member countries.

This Regulation does not apply to the payment of remuneration to IBEC employees who are citizens of the Bank’s country residence and individuals working under fee-based service agreements as well as payments for utility charges.

Settlements with withdrawing countries

Settlements related to the Bank’s paid-in capital with the countries that withdrew from the Agreement on the Organization and Activities of IBEC are performed in accordance with Article 5 of the Statutes of IBEC.

A decision of the IBEC’s Council which regulates the withdrawal of countries and/or a signed bilateral agreement between IBEC and the country withdrawing from the Agreement on the Organization and Activities of IBEC concerning the settlement of mutual obligations of the Bank and the respective country results in initial recognition of a financial liability related to the equity contribution at the present value of its redemption amount that is reclassified from equity.

On initial recognition, a financial liability to the withdrawing countries is formed through retained earnings of the Bank. Subsequently, this financial liability is carried at amortized cost.

When funds are actually transferred to the withdrawing country, its share in the paid-up capital is reduced by this amount and the amount of previously used retained earnings is reimbursed.