IBEC

INTERNATIONAL BANK FOR ECONOMIC CO-OPERATION

International Bank for Economic Co-operation

Interim condensed financial statements

30 June 2022

(together with report on review)

Contents

НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ

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Report on Review of Interim Financial Information

To the Council of International Bank for Economic Co-operation

Introduction

We have reviewed the accompanying interim condensed financial statements of International Bank for Economic Co-operation, which comprise the interim statement of financial position as at 30 June 2022, the interim statement of profit or loss and other comprehensive income, interim statement of changes in equity and interim statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information).

Management of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

НОВЫЕ ВЫЗОВЫ
НОВЫЕ РЕШЕНИЯ

Conclusion

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

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

19 August 2022

Details of the auditor

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

Details of the entity

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

Interim statement of financial position

as at 30 June 2022

(EUR thousand)

	Note	30 June 2022 (unaudited)	31 December 2021
Assets			
Cash and cash equivalents	5	128,923	27,855
Securities at fair value through profit or loss	6	6,469	10,307
- held by the Bank		*6,120*	*10,307*
- pledged under repurchase agreements		*349*	–
Securities at fair value through other comprehensive income	7	75,747	200,695
- held by the Bank		*53,664*	*148,538*
- pledged under repurchase agreements		*22,083*	*52,157*
Securities at amortized cost	8	46,322	77,634
- held by the Bank		*34,390*	*37,460*
- pledged under repurchase agreements		*11,932*	*40,174*
Loans and deposits to banks	9	77,083	175,596
- loans issued to banks under trade financing		*42,495*	*102,072*
- term deposits with banks		*20,106*	*38,430*
- syndicated loans		*14,482*	*35,094*
Loans to corporate customers	10	147,208	203,981
Derivative financial assets	11	36,029	472
Property, plant and equipment, intangible assets and right-of-use assets	12	51,646	52,088
Other assets	13	65,874	27,806
Total assets		**635,301**	**776,434**
Liabilities			
Due to credit institutions	14	84,378	163,163
Due to customers	15	45,012	101,240
Derivative financial liabilities	11	2,050	23,513
Debt securities issued	16	260,011	178,994
Other liabilities	13	55,893	4,829
Total liabilities		**447,344**	**471,739**
Equity			
Share capital	1	200,000	200,000
Revaluation reserve for securities at fair value through other comprehensive income		(9,148)	(4,724)
Revaluation reserve for property, plant and equipment		21,528	21,528
Cash flow hedge reserve	11	(7,076)	(5,497)
Retained earnings less net profit for the period		93,388	89,667
Net (loss) profit for the period		(110,735)	3,721
Total equity		**187,957**	**304,695**
Total liabilities and equity		**635,301**	**776,434**
Off-balance sheet commitments			
Credit-related commitments	17	181,198	191,300

Denis Ivanov — Chairman of the Board

Inna Zheleznova — Director of the Financial Department

19 August 2022

Международный банк экономического сотрудничества
МБЭС
Москва

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

Interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2022

(EUR thousand)

	Note	*For the six months ended 30 June (unaudited)*	
		2022	***2021***
Interest income calculated using the EIR method		10,701	9,943
Other interest income		95	168
Interest expense		(7,011)	(2,799)
Net interest income	18	**3,785**	**7,312**
Allowance for expected credit losses from financial assets	22	(18,914)	(276)
Net interest (expense) income after allowance for expected credit losses		**(15,129)**	**7,036**
Fee and commission income		1,133	832
Fee and commission expense		(267)	(175)
Net fee and commission income	19	**866**	**657**
Net losses from operations with securities at fair value through profit or loss		(2,323)	(74)
Net (losses) gains from operations with securities at fair value through other comprehensive income	20	(12,807)	3,981
Net losses from operations with securities at amortized cost	8	(2,438)	–
Net losses from operations with loans at amortized cost	10	(2,880)	–
Net losses from operations with derivative financial instruments and foreign currency			
- dealing	11	(14,027)	(201)
- revaluation of currency items		(56,537)	(421)
Lease income		1,155	930
Other banking income		357	252
Administrative and management expenses	21	(6,311)	(6,589)
Other provisions	23	(154)	(116)
Other banking expenses		(507)	(51)
(Loss) profit for the period		**(110,735)**	**5,404**

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

Interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 (continued)

(EUR thousand)

	Note	For the six months ended 30 June (unaudited) 2022	2021
Other comprehensive income (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	(28,612)	(2,106)
Realized losses (gains) from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	20	12,916	(4,270)
Change in allowance for expected credit losses		11,272	(96)
Net losses from cash flow hedges	11	(1,579)	(4,214)
Total items that are or may be subsequently reclassified to profit or loss		**(6,003)**	**(10,686)**
Total other comprehensive loss		**(6,003)**	**(10,686)**
Total comprehensive loss for the period		**(116,738)**	**(5,282)**

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

Interim statement of changes in equity for the six months ended 30 June 2022

(EUR thousand)

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

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

Interim statement of changes in equity
for the six months ended 30 June 2022 (continued)

(EUR thousand)

	Share 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 2021	**200,000**	**5,294**	**21,528**	**621**	**89,667**	**317,110**
Net profit for the period	**–**	**–**	**–**	**–**	**5,404**	**5,404**
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	–	(2,106)	–	–	–	**(2,106)**
Realized gains from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	–	(4,270)	–	–	–	**(4,270)**
Change in allowance for expected credit losses	–	(96)	–	–	–	**(96)**
Net unrealized gains (losses) from cash flow hedges	–	–	–	5,464	–	**5,464**
Net (gains) losses from cash flow hedges, reclassified to profit or loss	–	–	–	(9,678)	–	**(9,678)**
Total items that are or may be subsequently reclassified to profit or loss	**–**	**(6,472)**	**–**	**(4,214)**	**–**	**(10,686)**
Total other comprehensive loss	**–**	**(6,472)**	**–**	**(4,214)**	**–**	**(10,686)**
Total comprehensive loss for the period	**–**	**(6,472)**	**–**	**(4,214)**	**5,404**	**(5,282)**
30 June 2021 (unaudited)	**200,000**	**(1,178)**	**21,528**	**(3,593)**	**95,071**	**311,828**

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

Interim statement of cash flows for the six months ended 30 June 2022

(EUR thousand)

	Note	For the six months ended 30 June (unaudited) 2022	2021
Cash flows from operating activities			
(Loss) profit for the period		**(110,735)**	**5,404**
Adjustments for:			
Accrued interest receivable		290	(362)
Accrued interest payable		(3,869)	(3,589)
Other accrued income receivable		(56)	(300)
Other accrued expenses payable		4,394	84
Depreciation and amortization	21	640	636
Allowance for expected credit losses from financial assets		18,914	276
Other provisions		154	116
Remeasurement of securities at fair value through profit or loss		1,215	161
Revaluation of currency items		57,482	99
Fair value remeasurement of hedges		(945)	322
Net losses (gains) from operations with securities at fair value through other comprehensive income	20	12,807	(3,981)
Cash (used in) from operating activities before changes in operating assets and liabilities		**(19,709)**	**(1,134)**
(Increase) decrease in operating assets			
Securities at fair value through profit or loss		2,605	(14,456)
Loans and deposits to banks		106,373	(8,603)
Loans to corporate customers		58,136	(10,540)
Other assets		(45,887)	(111)
Increase (decrease) in operating liabilities			
Due to credit institutions		(24,318)	(68,451)
Due to customers		(83,022)	(23,292)
Other liabilities		29,948	3,417
Net cash from (used in) operating activities		**24,126**	**(123,170)**
Cash flows from investing activities			
Purchases of securities at fair value through other comprehensive income		(43,354)	(76,537)
Sales of securities at fair value through other comprehensive income		114,196	170,297
Purchases of securities at amortized cost		(3,544)	(4,971)
Proceeds from redemption of securities at amortized cost		6,399	2,666
Purchases of property, plant and equipment		(198)	(62)
Net cash from investing activities		**73,499**	**91,393**

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

Interim statement of cash flows
for the six months ended 30 June 2022 (continued)

(EUR thousand)

		For the six months ended 30 June (unaudited)	
	Note	***2022***	***2021***
Cash flows from financing activities			
Proceeds from bonds issued	16	–	34,768
Long-term financing repaid to banks		(41)	(41)
Payments for lease liabilities		(2)	(2)
Net cash (used in) from financing activities		**(43)**	**34,725**
Net increase in cash and cash equivalents before translation differences		**97,582**	**2,948**
Effect of changes in exchange rates on cash and cash equivalents		3,552	(9)
Effect of changes in expected credit losses on cash and cash equivalents		(66)	–
Net increase in cash and cash equivalents		**101,068**	**2,939**
Cash and cash equivalents at 31 December of the year preceding the reporting period	5	27,855	17,589
Cash and cash equivalents at 30 June of the reporting year	5	**128,923**	**20,528**
Additional information:			
Interest received		11,086	9,749
Interest paid		(10,880)	(6,388)

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

(EUR thousand)

1. Principal activities of the Bank

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

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

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

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

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

The Bank's member countries are eight countries located in Europe and Asia: the Republic of Bulgaria, the Socialist Republic of Vietnam, Mongolia, the Republic of Poland, the Russian Federation, Romania, the Slovak Republic and the Czech Republic.

In accordance with the Agreement, the authorized share capital consists of equity contributions from IBEC member countries and amounts to EUR 400,000 thousand, which were allocated between the member countries as follows:

	Equity contributions allocated	***%***
Russian Federation	206,356	51.59
Czech Republic	53,368	13.34
Republic of Poland	48,032	12.01
Republic of Bulgaria	30,244	7.56
Romania	28,464	7.12
Slovak Republic	26,684	6.67
Mongolia	5,336	1.33
Socialist Republic of Vietnam	1,516	0.38
Total	**400,000**	**100**

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(EUR thousand)

1. Principal activities of the Bank (continued)

The paid portion of IBEC's share capital as at 30 June 2022 amounts to EUR 200,000 thousand (31 December 2021: EUR 200,000 thousand). The allocation of shares of IBEC member countries in the Bank's paid-in share capital is provided below:

	30 June 2022 (unaudited)	***%***	***31 December 2021***	***%***
Russian Federation	103,179	51.59	103,179	51.59
Czech Republic	26,684	13.34	26,684	13.34
Republic of Poland	24,016	12.01	24,016	12.01
Republic of Bulgaria	15,121	7.56	15,121	7.56
Romania	14,232	7.12	14,232	7.12
Slovak Republic	13,342	6.67	13,342	6.67
Mongolia	2,668	1.33	2,668	1.33
Socialist Republic of Vietnam	758	0.38	758	0.38
Total	**200,000**	**100**	**200,000**	**100**

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

The Bank operates in accordance with the IBEC's Development Strategy for 2021-2025 approved by the IBEC Council on 8 December 2020. In the reporting period, IBEC tried to continue implementing the tasks set by the strategy.

During the first six months of 2022, the Bank implemented a number of measures that were significant for development of the Bank's operations, expansion of its partner network and enhancement of the IBEC brand recognition across the business community:

- ► Criteria for determining compliance of IBEC's potential projects and transactions with the UN sustainable development goals were developed.
- ► In March 2022, IBEC's representatives participated in a meeting of the Commission for Economic, Scientific and Technical Cooperation of the Slovak Republic and the Republic of Kazakhstan held in Bratislava. The key agenda of the Commission's meeting was trade and economic cooperation between the countries of the Central Europe and Central Asia and new opportunities arising during transformation of international business relations.
- ► IBEC and one of the largest Vietnamese financial institutions (VietinBank) signed the Memorandum of Understanding intended to assist in achieving the UN sustainable development goals, particularly in the environment protection and development of green economy, responsible consumption and production, and climate action.

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(EUR thousand)

2. Operating environment of the Bank

During the first six months of 2022, the economic and business climate deteriorated both in the region where IBEC operates and worldwide. The events that occurred at the beginning of 2022 resulted in significant movements in economic trends which had been observed before. Prior to the geopolitical conflict, most key global macroeconomic variables and performance of IBEC member countries were expected to normalize in 2022-early 2023 following the crisis caused by the COVID-19 pandemic. However, the forecasts have significantly worsened so far and reflect a high level of uncertainty and risks of further deterioration.

Economic growth

After the beginning of the geopolitical conflict, global energy prices demonstrated an unprecedented growth, which led to new difficulties (apart from the pandemic-related disruptions in supply chains) due to logistic failures and severance of foreign economic relations due to the imposed sanctions. These factors resulted in higher inflation trends, which were observed since the second half of 2021, and a further increase in inflation expectations of entities, as well as deterioration of investment and consumer sentiment.

According to the current forecasts, the growth of world economy will cool down to 3.2%[1] in 2022 (a decrease by 1.4 p.p. against the forecast). All IBEC member countries are also expected to slow down their economic growth: in accordance with the current estimates, in 2022, the real GDP growth rate will be 1.7% on average (a decrease by 3.3 p.p. against the forecast).

Dynamics of real GDP, change in %	*2021*	*Average growth rate in 2017-2021*	*2022 (basic forecast)*	*2022 (current forecast)*
Republic of Bulgaria	4.2	1.9	4.0	2.6
Socialist Republic of Vietnam	2.6	5.4	6.9	6.1
Mongolia	1.4	3.2	6.7	4.0
Republic of Poland	5.7	3.6	4.9	3.9
Russian Federation	4.7	1.8	2.8	(10.1)
Romania	5.9	3.6	4.8	2.4
Slovak Republic	3.0	1.6	5.1	2.7
Czech Republic	3.3	1.8	4.5	1.9

Source: actual data are provided by IMF, forecasts are based on IBEC's consensus forecast.

Global trade

In the first half of 2022, the global trade in goods continued to be affected by disruptions in cross-border supply chains and failures in operations of the largest Asian ports, as well as COVID-related restrictions in China. Besides, the imposed international sanctions resulted in worsening of the current issues in international supply chains and high uncertainty with regard to further economic, political and financial conditions for business practices. Trade in services recovered to the pre-pandemic levels owing to the growth in non-travel services.

Currently, the growth in global trade is expected to slow down to 4.5% in 2022 (a decrease by 2.3 p.p. against the forecast).

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[1] Here and after, IBEC's consensus forecast.

(EUR thousand)

2. Operating environment of the Bank (continued)

Financial conditions

Starting from the end of February 2022, there was a sharp worsening of economic and investment sentiment, a higher level of uncertainty and volatility and toughening of financial conditions.

Stronger pro-inflationary factors at the beginning of 2022 (growing global energy and food prices, tougher supply chain disruptions) resulted in worsening of inflation forecasts: in accordance with the current estimates, average inflation in IBEC member countries will reach 11.1% (an increase by 7.7 p.p. against the forecast).

Consumer price index, change in %	***2021***	***Average for 2017-2021***	***2022 (basic forecast)***	***2022 (current forecast)***
Republic of Bulgaria	2.8	2.5	2.2	11.3
Socialist Republic of Vietnam	1.9	3.0	3.7	3.8
Mongolia	7.1	5.8	6.6	13.7
Republic of Poland	5.1	2.9	3.2	10.0
Russian Federation	6.7	4.2	4.1	21.1
Romania	5.0	3.5	3.0	9.2
Slovak Republic	2.8	2.3	2.3	8.4
Czech Republic	3.8	2.9	2.3	11.3

Source: actual data are provided by IMF, forecasts are based on IBEC's consensus forecast.

A splash of volatility in financial markets and inflation growth led to toughening monetary policies and higher interest rates in most countries resulting in higher funding cost. These factors and escalation of the crisis in the global and national economies caused lower investor confidence in the first half of 2022 which drove lower stock indices in all IBEC member countries against the beginning of the year.

	Rate under the monetary policy, %		***National stock index, change in % against the beginning of the year***
	31 December 2021	***30 June 2022***	
Republic of Bulgaria	0.00	0.00	(3.53) (SOFIX)
Socialist Republic of Vietnam	4.00	4.00	(20.07) (VNINDEX)
Mongolia	6.00	10.00	(26.16) (MSE Top 20)
Republic of Poland	1.75	6.00	(25.19) (WIG 20)
Russian Federation	8.50	9.50	(41.78) (MOEX)
Romania	1.75	3.75	(5.87) (BET)
Slovak Republic	0.00[2]	0.00	(6.23) (SAX)
Czech Republic	3.75	7.00	(12.22) (PX)

Source: central banks of IBEC member countries, national stock exchanges.

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[2] Rate of the ECB

(EUR thousand)

2. Operating environment of the Bank (continued)

Financial conditions (continued)

Worsening of financial conditions, a downturn in the real sector of economy, including movements in volumes of export and import transactions affected by sanctions and disruptions of global supply chains impacted the dynamics in the rates of national currency of IBEC member countries against the Bank's functional currency. Currently, it is expected that national currencies of the Asian countries (Mongolia, Vietnam) will strengthen to the euro more than expected before; the Russian ruble will weakening by the year-end. It should be noted that due to sanctions the official exchange rate of the Russian ruble has become highly volatile varying from RUB 54 to RUB 133 to EUR 1 in the first half of 2022. Therefore, current forecasts of the average annual RUB exchange rate for 2022 vary from RUB 60 to RUB 80 to EUR 1.

National currency exchange rate to EUR, average for the period	***2022 (basic forecast)***	***2022 (current forecast)***
Republic of Bulgaria	1.96	1.96
Socialist Republic of Vietnam	27,965.8	25,116.8
Mongolia	3,445.1	3,234.2
Republic of Poland	4.46	4.68
Russian Federation	89.80	76.31
Romania	4.83	4.95
Slovak Republic	–	–
Czech Republic	24.74	24.49

Source: IBEC's consensus forecast

Starting from February 2022, increased geopolitical tensions negatively affected the economy of the host country of the Bank. The European Union, the United States and several other countries imposed new sanctions against certain Russian government and commercial entities, including banks, individuals and certain sectors of the economy, as well as restrictions on certain types of transactions. Some international companies announced that they were suspending operations in Russia or terminating supplies of products to Russia. This resulted in increased volatility in stock and currency markets. In March 2022, the Russian Federation introduced temporary restrictive economic counter sanctions. In response to higher volatility in financial markets and higher inflation risks, the Bank of Russia increased the key rate to 20% at the extraordinary meeting held in February 2022; later, the key rate was gradually reduced to 8%.

Impact of the economic environment on IBEC activities

The geopolitical events described above had a significant impact on the Bank's operations:

- Despite the supranational status of the international development institution, at the very beginning of the geopolitical crisis, IBEC faced a number of restrictions (deposit accounts and the main correspondent account of IBEC at a European bank were partially blocked) since the Bank's headquarters are located in Moscow. Those restrictions required further clarification of the international supranational status of the Bank to overcome them. By the end of the first half of 2022, the situation improved significantly and IBEC was able to stabilize its operations subject to the remaining partial restrictions.
- A decrease in sovereign ratings of the Russian Federation assigned by international rating agencies was one of the factors that resulted in lower international credit ratings previously assigned by Fitch Ratings and Moody's. A further ban by the European regulator on operations of rating agencies with entities located in the Russian Federation led to the withdrawal of the international credit ratings assigned to IBEC by Fitch Ratings and Moody's.
- Due to tougher compliance procedures of partner banks, it became more difficult to receive funds from borrowers in repayment of their debts to IBEC given longer terms of processing payments.

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(EUR thousand)

2. Operating environment of the Bank (continued)

Impact of the economic environment on IBEC activities (continued)

- At the beginning of March 2022, five IBEC member countries in Europe announced their withdrawal from the Bank, however, as at the reporting date, no official documents stipulated by Article IX of the Agreement Concerning the Organization and Activities of IBEC were received from any of the Bank's member countries.

The combination of these events that occurred at the beginning of the geopolitical crisis caused cancellation of a significant portion of transactions in the Bank's portfolio and created a threat of a liquidity gap for the IBEC, which it managed to minimize and prevent by the end of the second quarter of the reporting period, thus avoiding a default on its major liabilities.

In particular, the Bank implemented the following measures that ensured its solvency and going concern:

- IBEC sold a significant portion of its securities portfolio to redeem its obligations given the arising delays in transfers from IBEC's correspondent accounts. The Bank performed close-out netting with the securities portfolio measured at amortized cost in order to close two repurchase agreements (Note 8).
- IBEC increased the number of correspondent accounts used for settlements with counterparties.
- IBEC signed early repayments agreements with a number of borrowers (Note 10).
- IBEC sold one loan (Note 10).

However, the forced early closure of hedging transactions (Note 11) that had a significant impact on the Bank's open currency position, considering further strengthening of the Russian ruble and necessary charge of additional allowances for expected credit losses on financial assets (Note 22), had an adverse impact on the Bank's financial performance. In the first half of 2022, the Bank's loss totaled EUR 110,735 thousand. Due to the loss incurred, IBEC's equity reduced, thus, the Bank's capital adequacy ratio decreased to 23.5%.

Accumulation of liquid funds on the correspondent accounts and in other liquid instruments allows IBEC to ensure servicing of its current liabilities and obligations in the foreseeable future.

The Bank continues to assess the effect of the pandemic and changes in micro- and macroeconomic conditions on its business, financial position and financial performance.

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

These interim condensed financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed financial statements do not include all the information and data to be disclosed in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2021.

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(EUR thousand)

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

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

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

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

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

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

Significant accounting estimates and professional judgments

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

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

To the extent that information was available as at 30 June 2022, the Bank recorded revised estimates of expected future cash flows in its measurement of expected credit losses (Note 22) and fair value measurement of financial instruments (Note 25).

Key significant accounting estimates and judgments used in applying accounting policies, are disclosed in the financial statements for the year ended 31 December 2021. Management did not identify any areas where new accounting estimates or judgments could be applied.

Changes in accounting policies

The accounting policies and calculation methods used in the preparation of these interim condensed financial statements are consistent with those used and described in the Bank's annual financial statements for the year ended 31 December 2021 in Summary of significant accounting policies, except for the new standards below that have been applied since 1 January 2022. The nature and effect of these changes are disclosed below. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Bank adopted several amendments that have become effective since 1 January 2022, but they do not have any effect on the interim condensed financial statements of the Bank.

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(EUR thousand)

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

Amendments to IFRS 1, IFRS 9, IFRS 3, IAS 16, IAS 37 and clarifications have no significant impact on the interim condensed financial statements of the Bank.

The amendments include the following:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments provide for a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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(EUR thousand)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2022 (unaudited)	***31 December 2021***
Cash on hand	2,174	1,124
Correspondent accounts with banks in IBEC member countries	54,043	9,804
Correspondent accounts with banks in other countries	39,570	16,927
Correspondent accounts with international financial institutions	33,205	–
Total cash and cash equivalents	**128,992**	**27,855**
Allowance for expected credit losses	(69)	–
Cash and cash equivalents less allowance for expected credit losses	**128,923**	**27,855**

As at 30 June 2022, balances due to three major counterparties amounted to EUR 95,276 thousand, or 73.90% of total cash and cash equivalents (31 December 2021: EUR 22,072 thousand, or 79.24% of total cash and cash equivalents).

In accordance with Edict No.95 of the President of the Russian Federation dated 5 March 2022, type C accounts with special regime are opened for settlements and transactions with counterparties from the Russian Federation in order to fulfill liabilities to IBEC. As at 30 June 2022, the amount of EUR 6,416 thousand was placed on type C accounts (31 December 2021: no balances on these accounts).

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

Cash and cash equivalents (other than cash on hand)	***30 June 2022 (unaudited)***	***31 December 2021***
Due from central banks	1,529	18,820
Correspondent accounts with banks		
Internationally rated		
from AAA to A-	*4,662*	*2,185*
from BBB+ to BB-	*78,188*	*5,531*
from B+ to B-	*5*	*121*
Internally rated only		
from BBB+ to BB-	*13*	*74*
from CCC+ to C	*42,421*	–
Total	**126,818**	**26,731**
Allowance for expected credit losses	(69)	–
Carrying amount	**126,749**	**26,731**

The credit quality and interest rate risk of cash and cash equivalents are presented in Note 24.

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(EUR thousand)

6. Securities at fair value through profit or loss

Securities at fair value through profit or loss comprise:

	30 June 2022 (unaudited)	***31 December 2021***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	1,790	4,963
from BBB+ to BB-	*1,790*	*4,963*
Eurobonds of IBEC member countries	–	5,344
from BBB+ to BB-	–	*5,344*
Internally rated only		
Eurobonds of IBEC member countries	3,521	–
from CCC+ to C	*3,521*	–
Corporate Eurobonds	809	–
from CCC+ to C	809	–
	6,120	**10,307**
Pledged under repurchase agreements		
Internationally rated		
Corporate Eurobonds	349	–
from BBB+ to BB-	*349*	–
	349	**–**
Securities at fair value through profit or loss	**6,469**	**10,307**

Securities at fair value through profit or loss comprise securities pledged as collateral under repurchase agreements with a fair value of EUR 349 thousand as at 30 June 2022 (31 December 2021: there were no securities pledged under repurchase agreements). According to the repurchase agreements, the counterparty shall return transferred securities when the agreement expires (Note 14).

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

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(EUR thousand)

7. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income comprise:

	30 June 2022 (unaudited)	***31 December 2021***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	14,949	55,668
from BBB+ to BB-	*9,595*	*35,637*
from B+ to B-	*5,354*	*20,031*
Eurobonds of international financial institutions	1,126	26,164
from AAA to A-	–	*24,159*
from BBB+ to BB-	*1,126*	*2,005*
Eurobonds of IBEC member countries	–	33,166
from AAA to A-	–	*1,395*
from BBB+ to BB-	–	*15,664*
from B+ to B-	–	*16,107*
Eurobonds of funds	–	12,645
from AAA to A-	–	*12,645*
Eurobonds of banks	–	11,708
from AAA to A-	–	*5,201*
from BBB+ to BB-	–	*6,507*
Bonds of banks	–	3,705
from AAA to A-	–	*3,705*
Bonds of IBEC member countries	–	2,045
from AAA to A-	–	*2,045*
Corporate bonds	–	967
from BBB+ to BB-	–	*967*
Eurobonds of other countries	–	168
from BBB+ to BB-	–	*168*
Internally rated only		
Corporate Eurobonds	20,778	–
from CCC+ to C	*20,778*	–
Bonds of IBEC member countries	9,151	–
from CCC+ to C	*9,151*	–
Eurobonds of banks	4,139	–
from CCC+ to C	*4,139*	–
Eurobonds of IBEC member countries	3,521	–
from CCC+ to C	*3,521*	–
Corporate bonds	–	2,302
from B+ to B-	–	*2,302*
	53,664	**148,538**

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(EUR thousand)

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

	30 June 2022 (unaudited)	***31 December 2021***
Pledged under repurchase agreements		
Internationally rated		
Corporate Eurobonds	9,232	16,491
from BBB+ to BB-	*9,232*	*16,491*
Eurobonds of IBEC member countries	6,731	25,194
from AAA to A-	–	*8,632*
from BBB+ to BB-	*6,731*	*16,562*
Eurobonds of international financial institutions	2,850	–
from AAA to A-	*2,850*	–
Bonds of banks	1,934	1,657
from AAA to A-	*1,934*	*1,657*
Eurobonds of banks	1,336	2,176
from AAA to A-	*803*	*196*
from BBB+ to BB-	*533*	*1,980*
Eurobonds of other countries	–	6,639
from BBB+ to BB-	–	*6,639*
	22,083	**52,157**
Securities at fair value through other comprehensive income	**75,747**	**200,695**

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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 2022	**193,875**	**6,820**	**200,695**
New originated or purchased assets	45,104	231	**45,335**
Transfer to Stage 2	(38,713)	38,713	**–**
Change in fair value	(25,306)	(1,697)	**(27,003)**
Assets derecognized or redeemed (excluding write-offs)	(150,320)	–	**(150,320)**
Changes in currency exchange rates	7,040	–	**7,040**
Gross carrying amount at 30 June 2022 (unaudited)	**31,680**	**44,067**	**75,747**
Allowance for expected credit losses at 1 January 2022	**788**	**478**	**1,266**
New originated or purchased assets	59	–	**59**
Transfer to Stage 2	(12,163)	12,163	**–**
Assets derecognized or redeemed (excluding write-offs)	(700)	–	**(700)**
Changes in models and inputs used for ECL calculations	10,058	(185)	**9,873**
Changes in currency exchange rates	2,041	–	**2,041**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**83**	**12,456**	**12,539**
Gross carrying amount at 1 January 2021	**280,196**	**6,110**	**286,306**
New originated or purchased assets	78,465	231	**78,696**
Change in fair value	(2,627)	859	**(1,768)**
Assets derecognized or redeemed (excluding write-offs)	(173,027)	–	**(173,027)**
Changes in currency exchange rates	1,383	–	**1,383**
Gross carrying amount at 30 June 2021 (unaudited)	**184,390**	**7,200**	**191,590**
Allowance for expected credit losses at 1 January 2021	**738**	**562**	**1,300**
New originated or purchased assets	76	–	**76**
Assets derecognized or redeemed (excluding write-offs)	(263)	–	**(263)**
Changes in models and inputs used for ECL calculations	87	2	**89**
Changes in currency exchange rates	2	–	**2**
Allowance for expected credit losses at 30 June 2021 (unaudited)	**640**	**564**	**1,204**

Securities at fair value through other comprehensive income comprise securities pledged as collateral under repurchase agreements with a fair value of EUR 22,083 thousand as at 30 June 2022 (31 December 2021: EUR 52,157 thousand). According to the contract, the counterparty shall return securities transferred under repurchase agreements when the contract expires (Note 14).

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(EUR thousand)

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

Corporate Eurobonds are debt securities denominated in euros, US dollars and Russian rubles and issued by financial and industrial entities of the IBEC's member countries and other countries for circulation on markets external to the issuer and for trade on exchange markets. Corporate Eurobonds mature from June 2023 to January 2030 (31 December 2021: from December 2022 to September 2029), and coupon rates range from 0.45% to 6.75% p.a. (31 December 2021: from 0.45% to 6.75% p.a.).

Eurobonds of IBEC member countries are issued in euros (31 December 2021: in euros and US dollars) for circulation on markets external to the issuing country and for trade in over-the-counter markets. Eurobonds mature from November 2027 to September 2050 (31 December 2021: from July 2023 to September 2050), and coupon rates range from 1.125% to 2.625% p.a. (31 December 2021: from 0% to 4.45% p.a.).

Bonds of the IBEC member countries are denominated in Russian rubles (31 December 2021: in euros) for circulation on internal and exchange markets of the issuing countries and for trade on over-the-counter markets, mature from September 2031 through March 2039 (31 December 2021: May 2025) and the coupon rate ranges from 7.7% to 8.5% p.a. (31 December 2021: 0.25% p.a.).

Eurobonds of banks comprise debt securities denominated in euros and US dollars and intended for circulation on markets external to the issuer. Eurobonds of banks mature from January 2026 to October 2028 (31 December 2021: from January 2026 to October 2028), and coupon rates range from 0.375% to 3.875% p.a. (31 December 2021: from 0.375% to 3.875% p.a.).

Eurobonds of international financial institutions are denominated in euros (31 December 2021: in euros and US dollars) and are traded on exchange markets external to the issuing country. Eurobonds mature from November 2023 to March 2026 (31 December 2021: from January 2022 to March 2026), and the coupon rates range from 0% to 1% p.a. (31 December 2021: from 0% to 1% p.a.).

As at 31 December 2021, Eurobonds of funds are denominated in euros and comprise Eurobonds issued by international financial funds that are traded on exchange markets external to the issuing country. Eurobonds of funds mature in December 2024 and the coupon rate is 0% p.a.

As at 31 December 2021, Eurobonds of other countries are issued in euros, traded on exchange markets external to the issuing country, mature in September 2028 and bear a coupon rate of 0.125% p.a.

As of 31 December 2021, bonds of banks are debt securities denominated in euros for circulation on the domestic markets of the country where the issuer is located. Bonds of banks mature in April 2028 and bear a coupon rate of 0.5% p.a.

As at 31 December 2021, corporate bonds denominated in Russian rubles and euros were issued by financial institutions of the IBEC member countries for circulation on internal markets of the issuing countries and trade on exchange markets. Corporate bonds mature from December 2024 to May 2033, coupon rate ranges from 1.75% to 5.83% p.a.

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

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(EUR thousand)

8. Securities at amortized cost

Securities at amortized cost comprise:

	30 June 2022 (unaudited)	***31 December 2021***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	5,948	12,191
from BBB+ to BB-	*2,013*	*12,191*
from B+ to B-	*3,935*	–
Eurobonds of banks	4,868	16,989
from BBB+ to BB-	–	*12,451*
from B+ to B-	*4,868*	*4,538*
Corporate bonds	–	5,740
from BBB+ to BB-	–	*719*
from B+ to B-	–	*5,021*
Internally rated only		
Corporate Eurobonds	12,932	–
from CCC+ to C	*12,932*	–
Eurobonds of banks	12,191	–
from CCC+ to C	*12,191*	–
Corporate bonds	1,122	3,003
from B+ to B-	–	*3,003*
from CCC+ to C	*1,122*	–
	37,061	**37,923**
Pledged under repurchase agreements		
Internationally rated		
Corporate Eurobonds	12,021	35,369
from BBB+ to BB-	*12,021*	*24,364*
from B+ to B-	–	*11,005*
Eurobonds of IBEC member countries	–	5,133
from BBB+ to BB-	–	*5,133*
	12,021	**40,502**
Total securities at amortized cost	**49,082**	**78,425**
Allowance for expected credit losses	(2,760)	(791)
Securities at amortized cost	**46,322**	**77,634**

Securities at amortized cost comprise securities pledged as collateral under repurchase agreements with an amortized cost of EUR 11,932 thousand as at 30 June 2022 (31 December 2021: EUR 40,174 thousand). According to the contract, the counterparty shall return securities transferred under repurchase agreements when the contract expires (Note 14).

Corporate Eurobonds and bonds are debt securities issued in euros, US dollars and Russian rubles by financial and industrial entities in IBEC member countries for circulation on markets internal and external to the issuer and for trade on over-the-counter and exchange markets. Eurobonds mature from June 2024 to July 2028 (31 December 2021: from June 2024 to July 2028), and coupon rates range from 2.2% to 8.5% p.a. (31 December 2021: from 1.5% to 7.75% p.a.). Corporate bonds mature in December 2025 (31 December 2021: from December 2024 to November 2026), and coupon rates is 6.89% p.a. (31 December 2021: from 1.75% to 6.89% p.a.).

Eurobonds of banks comprise debt securities issued in euros and US dollars for circulation on markets external to the issuer with a maturity from February 2023 to October 2023 (31 December 2021: from February 2023 to October 2023) and coupon rates range from 4.032% p.a. to 7.25% p.a. (31 December 2021: from 4.032% to 7.25%p.a.).

(EUR thousand)

8. Securities at amortized cost (continued)

As at 31 December 2021, Eurobonds of the IBEC member countries are issued in euros for circulation on markets external to the issuing country and for trade on over-the-counter market. Eurobonds mature from December 2026 to April 2027, coupon rate ranges from 2% to 2.375% p.a.

During the six months ended 30 June 2022, the Bank sold 44.33% of securities at amortized cost based on liquidation netting in the process of closing repurchase transactions. The negative result of EUR 2,438 thousand was recognized in the interim statement of profit or loss and other comprehensive income within net losses from operations with securities at amortized cost (30 June 2021: none).

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

Securities at amortized cost	***Stage 1***	***Stage 2***	***Total***
Gross carrying amount at 1 January 2022	**78,425**	**–**	**78,425**
New originated or purchased assets	4,850	–	**4,850**
Transfer to Stage 2	(26,245)	26,245	**–**
Assets derecognized or redeemed (excluding write-offs)	(35,555)	–	**(35,555)**
Changes in currency exchange rates	1,362	–	**1,362**
Gross carrying amount at 30 June 2022 (unaudited)	**22,837**	**26,245**	**49,082**
Allowance for expected credit losses at 1 January 2022	**791**	**–**	**791**
New originated or purchased assets	26	–	**26**
Transfer to Stage 2	(2,468)	2,468	**–**
Assets derecognized or redeemed (excluding write-offs)	(398)	–	**(398)**
Changes in models and inputs used for ECL calculations	2,281	–	**2,281**
Changes in currency exchange rates	60	–	**60**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**292**	**2,468**	**2,760**
Gross carrying amount at 1 January 2021	**65,218**	**–**	**65,218**
New originated or purchased assets	6,212	–	**6,212**
Assets derecognized or redeemed (excluding write-offs)	(4,401)	–	**(4,401)**
Changes in currency exchange rates	310	–	**310**
Gross carrying amount at 30 June 2021 (unaudited)	**67,339**	**–**	**67,339**
Allowance for expected credit losses at 1 January 2021	**622**	**–**	**622**
New originated or purchased assets	9	–	**9**
Assets derecognized or redeemed (excluding write-offs)	(3)	–	**(3)**
Changes in models and inputs used for ECL calculations	(26)	–	**(26)**
Changes in currency exchange rates	7	–	**7**
Allowance for expected credit losses at 30 June 2021 (unaudited)	**609**	**–**	**609**

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(EUR thousand)

8. Securities at amortized cost (continued)

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

	30 June 2022 (unaudited)	*31 December 2021*
Securities purchased on capital markets	23,437	30,077
Credit investment portfolio of securities	22,885	47,557
Securities at amortized cost	**46,322**	**77,634**

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

9. Loans and deposits to banks

Loans and deposits to banks comprise:

	30 June 2022 (unaudited)	*31 December 2021*
Loans issued to banks under trade financing	42,887	102,602
Term deposits with banks in IBEC member countries	19,115	38,617
Syndicated loans	14,539	35,253
Term deposits with banks in other countries	1,074	–
Total loans and deposits to banks	**77,615**	**176,472**
Allowance for expected credit losses	(532)	(876)
Loans and deposits to banks	**77,083**	**175,596**

As at 30 June 2022, balances due to three major counterparties amounted to EUR 33,954 thousand, or 44.05% of total loans and deposits to banks (31 December 2021: EUR 59,108 thousand, or 33.66% of total loans and deposits to banks).

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

Loans and deposits to banks	*30 June 2022 (unaudited)*	*31 December 2021*
Internationally rated		
from AAA to A-	*1,074*	–
from BBB+ to BB-	–	*54,215*
from B+ to B-	*71,143*	*121,407*
Internally rated only		
from B+ to B-	–	*850*
from CCC+ to C	*5,398*	–
Total	**77,615**	**176,472**
Allowance for expected credit losses	(532)	(876)
Carrying amount	**77,083**	**175,596**

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(EUR thousand)

9. Loans and deposits to banks (continued)

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

Loans and deposits to banks	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2022	**176,472**	**–**	**–**	**176,472**
New originated or purchased assets	20,672	–	–	**20,672**
Transfer to Stage 2	(6,199)	6,199	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(126,551)	–	–	**(126,551)**
Changes in currency exchange rates	7,022	–	–	**7,022**
Gross carrying amount at 30 June 2022 (unaudited)	**71,416**	**6,199**	**–**	**77,615**
Allowance for expected credit losses at 1 January 2022	**876**	**–**	**–**	**876**
New originated or purchased assets	148	–	–	**148**
Transfer to Stage 2	(184)	184	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(7,594)	–	–	**(7,594)**
Changes in models and inputs used for ECL calculations	6,712	–	–	**6,712**
Changes in currency exchange rates	390	–	–	**390**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**348**	**184**	**–**	**532**
Gross carrying amount at 1 January 2021	**163,631**	**2,440**	**–**	**166,071**
New originated or purchased assets	109,441	63	–	**109,504**
Assets derecognized or redeemed (excluding write-offs)	(100,542)	(64)	–	**(100,606)**
Changes in currency exchange rates	2,538	81	–	**2,619**
Gross carrying amount at 30 June 2021 (unaudited)	**175,068**	**2,520**	**–**	**177,588**
Allowance for expected credit losses at 1 January 2021	**772**	**23**	**–**	**795**
New originated or purchased assets	397	–	–	**397**
Assets derecognized or redeemed (excluding write-offs)	(265)	(6)	–	**(271)**
Changes in models and inputs used for ECL calculations	(226)	(13)	–	**(239)**
Changes in currency exchange rates	20	1	–	**21**
Allowance for expected credit losses at 30 June 2021 (unaudited)	**698**	**5**	**–**	**703**

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

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(EUR thousand)

10. Loans to corporate customers

Loans to corporate customers comprise:

	30 June 2022 (unaudited)	*31 December 2021*
Loans issued to legal entities from IBEC member countries	73,467	101,236
Loans for foreign trade purposes issued to legal entities from IBEC member countries	41,242	41,605
Syndicated loans issued to legal entities from IBEC member countries	31,421	26,345
Syndicated loans issued to legal entities from other countries	16,009	39,799
Total loans to corporate customers	**162,139**	**208,985**
Allowance for expected credit losses	(14,931)	(5,004)
Loans to corporate customers less allowance for expected credit losses	**147,208**	**203,981**

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

	30 June 2022 (unaudited)		*31 December 2021*	
	Amount	***%***	***Amount***	***%***
Transport	63,609	43.21	71,243	34.93
Finance	35,863	24.36	19,991	9.80
Gas industry	17,039	11.57	16,072	7.88
Investment activities (leases)	15,275	10.38	47,408	23.24
Food industry	6,853	4.66	31,490	15.44
Investment activities	4,998	3.40	5,004	2.45
Trade	1,696	1.15	5,929	2.91
Construction	897	0.61	895	0.44
Machine building	679	0.46	1,295	0.63
Aluminum industry	–	–	4,654	2.28
Other	299	0.20	–	–
Total loans to corporate customers	**147,208**	**100**	**203,981**	**100**

As at 30 June 2022, balances with three major counterparties of the Bank amounted to EUR 71,725 thousand, or 48.72% of the Bank's total loan portfolio less allowance for expected credit losses (31 December 2021: EUR 93,194 thousand, or 45.69% of the Bank's total loan portfolio less allowance for expected credit losses).

Loans are issued to customers operating in the following countries:

	30 June 2022 (unaudited)	*31 December 2021*
Republic of Bulgaria	41,951	41,066
Mongolia	39,553	39,598
Socialist Republic of Vietnam	29,125	19,338
Russian Federation	13,655	42,794
Republic of Poland	9,264	12,308
Romania	1,617	9,393
Slovak Republic	1,576	2,190
Czech Republic	299	–
Other countries	10,168	37,294
Total	**147,208**	**203,981**

(EUR thousand)

10. Loans to corporate customers (continued)

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

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

Loans to corporate customers	***30 June 2022 (unaudited)***	***31 December 2021***
Internationally rated		
from BBB+ to BB-	*6,853*	*73,188*
from B+ to B-	*15,156*	*15,147*
Internally rated only		
from BBB+ to BB-	*38,046*	*52,778*
from B+ to B-	*56,364*	*42,507*
from CCC+ to C	*45,720*	*25,365*
Total	**162,139**	**208,985**
Allowance for expected credit losses	(14,931)	(5,004)
Carrying amount	**147,208**	**203,981**

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

(continued on the next page)

(EUR thousand)

10. Loans to corporate customers (continued)

Loans to corporate customers	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2021	**182,873**	**11,362**	**7,240**	**201,475**
New originated or purchased assets	69,882	251	222	**70,355**
Transfers from Stage 2 to Stage 1	5,998	(5,998)	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(58,389)	(1,023)	–	**(59,412)**
Changes in currency exchange rates	1,566	154	242	**1,962**
Gross carrying amount at 30 June 2021 (unaudited)	**201,930**	**4,746**	**7,704**	**214,380**
Allowance for expected credit losses at 1 January 2021	**914**	**315**	**1,203**	**2,432**
New originated or purchased assets	481	–	–	**481**
Transfers from Stage 2 to Stage 1	160	(160)	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(35)	(281)	–	**(316)**
Changes in models and inputs used for ECL calculations	(278)	175	573	**470**
Changes in currency exchange rates	2	2	50	**54**
Allowance for expected credit losses at 30 June 2021 (unaudited)	**1,244**	**51**	**1,826**	**3,121**

During the six months ended 30 June 2022, the Bank sold to an unrelated party the loan debt in the amount of EUR 4,759 thousand. The selling price was EUR 4,477 thousand. The loss of EUR 227 thousand from the sale considering the write-off of the previously charged allowance for expected credit loss is recorded in the interim statement of profit or loss and other comprehensive income within other banking expenses. During the six months ended 30 June 2021, there were no sales.

During the six months ended 30 June 2022, there was early repaid loan with discount of EUR 2,880 thousand, which was recognized in the interim statement of profit or loss and other comprehensive income within net losses from operations with loans at amortized cost (30 June 2021: none).

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:

- Guarantees from governments of IBEC member countries
- Pledge of real estate
- Third-party guarantees
- Cash in bank

(EUR thousand)

10. Loans to corporate customers (continued)

Collateral and other credit risk enhancements (continued)

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

Collateral obtained for loans to corporate customers comprises:

	30 June 2022 (unaudited)	*31 December 2021*
Loans guaranteed by other parties, including credit insurance	74,045	81,315
Loans secured by pledge of (movable) property	51,844	75,095
Loans secured by real estate	133	9,393
Unsecured loans	21,186	38,178
Total loans to corporate customers	**147,208**	**203,981**

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

As at 30 June 2022, the Bank changed conditions on issue of loans to four borrowers (31 December 2021: four borrowers), including in the context of measures implemented due to consequences of the COVID-19 pandemic and due to geopolitical crisis in February 2022. The impact of these modifications is insignificant.

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

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(EUR thousand)

11. Derivative financial instruments

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

	Notional principal	*Fair value*	
		Asset	*Liability*
30 June 2022 (unaudited)			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	101,510	226	2,050
Derivative financial instruments (contracts with international financial institutions)	9,508	8	–
Interest rate contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	9,284	322	–
Cross-currency interest rate contracts used as hedging instruments			
Derivative financial instruments (contracts with residents of IBEC member countries) used as hedging instruments	111,948	35,473	–
Total derivative assets/liabilities		**36,029**	**2,050**
31 December 2021			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	84,262	210	1,139
Derivative financial instruments (contracts with residents of other countries)	6,578	–	18
Interest rate contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	17,948	213	–
Interest rate contracts used as hedging instruments			
Derivative financial instruments (contracts with residents of IBEC member countries)	14,000	49	1
Cross-currency interest rate contracts used as hedging instruments			
Derivative financial instruments (contracts with residents of IBEC member countries) used as hedging instruments	111,952	–	16,509
Derivative financial instruments (contracts with residents of other countries) used as hedging instruments	38,500	–	5,846
Total derivative assets/liabilities		**472**	**23,513**

(EUR thousand)

11. Derivative financial instruments (continued)

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

	30 June 2022 (unaudited)		*31 December 2021*	
	Contracts with positive fair value	***Contracts with negative fair value***	***Contracts with positive fair value***	***Contracts with negative fair value***
Foreign exchange swaps: fair value at the end of the reporting period				
- USD payable on settlement (-)	89,282	21,217	36,980	33,924
- EUR receivable on settlement (+)	89,516	19,167	47,348	41,928
- RUB payable on settlement (-)	–	–	6,039	6,034
- payable in other currencies on settlement (-)	–	–	4,119	3,127
Interest rate swaps: fair value at the end of the reporting period				
- RUB payable on settlement (-)	9,284	–	5,948	–
- EUR receivable on settlement (+)	–	–	12,124	–
- RUB receivable on settlement (+)	9,606	–	6,037	–
- EUR payable on settlement (-)	–	–	12,000	–
Interest rate swaps used as hedging instruments: fair value at the end of the reporting period				
- EUR payable on settlement (-)	–	–	4,000	10,001
- EUR receivable on settlement (+)	–	–	4,049	10,000
Cross-currency interest rate swaps used as hedging instruments: fair value at the end of the reporting period				
- EUR payable on settlement (-)	112,182	–	–	154,343
- RUB receivable on settlement (+)	147,655	–	–	131,988
Net fair value of interest rate, foreign exchange and cross-currency interest rate swaps	**36,029**	**(2,050)**	**472**	**(23,513)**

(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.

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 flows hedges consist of cross-currency interest rate swaps that are used to protect against exposures to variability in future interest and principal cash flows on its issued notes in rubles due to changes in interest rate and currency risks (Note 24). The hedging ratio is established by matching the notional of the derivative against the principal of the hedged item.

During the six months ended 30 June 2022 and 31 December 2021, the Bank designated the following financial liabilities as hedged items in cash flow hedge relationships:

	Cash flow hedge reserve	
Cash flow hedges	***Continuing hedges***	***Discontinued hedges***
30 June 2022 (unaudited)		
RUB-denominated bonds with a fixed interest rate	(7,076)	–
31 December 2021		
RUB-denominated bonds with a fixed interest rate	(5,497)	–

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

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

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

During the six months ended 30 June 2022, swaps with two counterparties have been terminated prior to maturity. The result of EUR (12,777) thousand (including the disposed instruments) was recognized in the interim statement of profit or loss and other comprehensive income within net (losses) gains from operations with derivative financial instruments and foreign currency (30 June 2021: EUR 4 thousand). Net (expense) income from derivative and foreign currency transactions recorded in the interim statement of profit or loss and other comprehensive income includes, but is not limited to, derivative trading transactions in the amount of EUR (2,212) thousand (30 June 2021: EUR (215) thousand and trading operations with currency in the amount of EUR 962 thousand (June 30, 2021: EUR 10 thousand).

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(EUR thousand)

11. Derivative financial instruments (continued)

Cash flow hedges (continued)

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

		Carrying amount			Changes in the fair values of hedging instruments used for measuring hedge ineffectiveness			Reclassified to profit or loss in		
					Effective portion		Hedge ineffectiveness			
Cash flow hedges	*Notional principal*	*Assets*	*Liabilities*	*Total*	*Recognized in other comprehensive income (cash flow hedge reserve net of basis currency spread)*	*Recognized in other comprehensive income (basis currency spread)*	*Recognized in the interim statement of profit or loss within net (losses) gains from operations with derivative financial instruments and foreign currency*	*Interest income (expense) calculated using the EIR method*	*Net (losses) gains from operations with derivative financial instruments and foreign currency*	*Net (losses) gains from operations with derivative financial instruments and foreign currency*
30 June 2022 (unaudited)										
Cross-currency interest rate swaps	111,948	35,473	–	**60,010**	63,678	(4,766)	1,098	**3,300**	**57,173**	**18**
31 December 2021										
Cross-currency interest rate swaps	150,452	–	22,355	**10,411**	10,741	(393)	63	**7,296**	**9,860**	**(690)**

The cumulative amount of the change in fair value of the hedged item amounted to EUR 57,306 thousand as at 30 June 2022 (31 December 2021: EUR (6,372) thousand). The cumulative amount of the change in the fair value of the hedging instrument, excluding basis currency spread, from the moment the hedge beginning, amounted to EUR (41,564) thousand as at 30 June 2022 (31 December 2021: EUR (19,152) thousand). During the six months ended 30 June 2022 and 30 June 2021, the effective portion of hedging relationships recognized in other comprehensive income (cash flow hedge reserve, excluding basis currency spread) was adjusted to the smallest of the two amounts.

(EUR thousand)

11. Derivative financial instruments (continued)

Cash flow hedges (continued)

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

Cash flow hedges	***1 to 6 months***	***12 months to 5 years***	***Total***
30 June 2022 (unaudited)			
Cross-currency interest rate swaps			
Notional principal	86,286	25,662	**111,948**
Average fixed interest rate, EUR	1.1%	1.41%	**1.18%**
Average fixed interest rate, RUB	7.9%	6.2%	**7.49%**
Average EUR/RUB exchange rate	0.0186	0.0186	**0.0186**
31 December 2021			
Cross-currency interest rate swaps			
Notional principal	–	150,452	**150,452**
Average fixed interest rate, EUR	–	1.24%	**1.24%**
Average fixed interest rate, RUB	–	7.14%	**7.14%**
Average EUR/RUB exchange rate	–	0.0119	**0.0119**

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 2022	**(5,347)**	**(150)**
Effective portion of changes in the fair value of cross-currency interest rate swaps	63,678	(4,766)
Net amounts reclassified to profit or loss:		
- interest expense	(3,300)	–
- net gains (losses) from operations with derivative financial instruments and foreign currency	(57,173)	(18)
Balance at 30 June 2022 (unaudited)	**(2,142)**	**(4,934)**
Balance at 1 January 2021	**1,068**	**(447)**
Effective portion of changes in the fair value of cross-currency interest rate swaps	5,968	(504)
Net amounts reclassified to profit or loss:		
- interest expense	(3,495)	–
- net gains (losses) from operations with derivative financial instruments and foreign currency	(6,528)	345
Balance at 30 June 2021 (unaudited)	**(2,987)**	**(606)**

Fair value hedges

As at 30 June 2022, for the purposes of managing changes in fair value of securities recognized in the interim statement of financial position within securities at fair value through other comprehensive income, an interconnection was established qualifying for fair value hedges. The result of EUR (534) thousand (including the disposed instruments) was recognized in the interim statement of profit or loss and other comprehensive income within net (losses) gains from operations with derivative financial instruments and foreign currency (30 June 2021: EUR 43 thousand).

(EUR thousand)

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

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

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

Movements in property, plant and equipment for the six months ended 30 June 2021 were as follows:

30 June 2021 (unaudited)	*Note*	*Building*	*Office equipment and computer hardware*	*Furniture*	*Transport*	*Intangible assets and investments in intangible assets*	*Right-of-use assets*	*Total*
Cost								
Balance at 1 January 2021		**73,209**	**1,561**	**518**	**568**	**1,873**	**26**	**77,755**
Additions		27	9	–	–	26	–	**62**
Disposals		–	(1)	–	–	–	–	**(1)**
Balance at 30 June 2021 (unaudited)		**73,236**	**1,569**	**518**	**568**	**1,899**	**26**	**77,816**
Accumulated depreciation								
Balance at 1 January 2021		**23,131**	**925**	**326**	**375**	**2**	**7**	**24,766**
Depreciation charges for the reporting period	21	486	93	8	39	7	3	**636**
Disposals		–	(1)	–	–	–	–	**(1)**
Balance at 30 June 2021 (unaudited)		**23,617**	**1,017**	**334**	**414**	**9**	**10**	**25,401**
Net book value								
Net book value at 1 January 2021		**50,078**	**636**	**192**	**193**	**1,871**	**19**	**52,989**
Net book value at 30 June 2021 (unaudited)		**49,619**	**552**	**184**	**154**	**1,890**	**16**	**52,415**

(EUR thousand)

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

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

	30 June 2022 (unaudited)	*31 December 2021*
Cost	48,353	48,334
Accumulated depreciation	(16,244)	(15,907)
Net book value	**32,109**	**32,427**

Revaluation of assets

To reevaluate the building, the market method and the income capitalization method were used.

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

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

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

The Bank expects to receive the following operating lease payments after 30 June 2022: within 30 days: EUR 322 thousand; 31 days to 180 days: EUR 1,401 thousand; 181 days to one year: EUR 1,334 thousand; one year to three years: EUR 936 thousand.

13. Other assets and liabilities

Other assets comprise:

	Note	*30 June 2022 (unaudited)*	*31 December 2021*
Financial assets			
Margin call		53,185	26,439
Accounts receivable under financial and business operations		2,492	912
Consumer lending		97	160
Bank fees receivable from customers		6	220
Other receivables		10,405	–
Allowance for expected credit losses from financial assets	22	(386)	(1)
Total financial assets less allowance for expected credit losses		**65,799**	**27,730**
Non-financial assets			
Inventories		75	76
Total non-financial assets		**75**	**76**
Total other assets		**65,874**	**27,806**

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(EUR thousand)

13. Other assets and liabilities (continued)

Other liabilities comprise:

	Note	*30 June 2022 (unaudited)*	*31 December 2021*
Financial liabilities			
Margin call		40,600	–
Settlements under financial and business operations		1,951	1,730
Advances received		1,918	45
Contributions to social security funds		552	2,174
Lease liabilities		12	14
Other accrued liabilities		–	52
Total financial liabilities		**45,033**	**4,015**
Non-financial liabilities			
Allowance for expected credit losses from credit-related commitments	17, 22	10,390	493
Provision for unused vacations	23	470	321
Total non-financial liabilities		**10,860**	**814**
Total other liabilities		**55,893**	**4,829**

14. Due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2022 (unaudited)	*31 December 2021*
Long-term related financing from banks in IBEC member countries	50,247	49,428
Repurchase agreements	33,926	84,727
Correspondent accounts of banks in other countries	123	6
Correspondent accounts of banks in IBEC member countries	82	228
Loans from banks in IBEC member countries	–	24,344
Loans from banks in other countries	–	4,430
Due to credit institutions	**84,378**	**163,163**

As at 30 June 2022, balances due to three major counterparties amounted to EUR 71,314 thousand, or 84.52% of the total amount due to credit institutions (31 December 2021: EUR 111,910 thousand due to three major counterparties, or 68.59% of the total amount due to credit institutions).

The Bank entered into repurchase agreements with banks in IBEC member countries and with banks in other countries with encumbrances on securities with a fair value of EUR 34,364 thousand as at 30 June 2022 (31 December 2021: EUR 92,331 thousand) (Notes 6, 7, 8).

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(EUR thousand)

14. Due to credit institutions (continued)

Transferred financial assets not derecognized

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

	Note	30 June 2022 (unaudited)	31 December 2021
Carrying amount of transferred assets – securities at fair value through profit or loss	6	349	–
Carrying amount of transferred assets – securities at fair value through other comprehensive income	7	22,083	52,157
Carrying amount of transferred assets– securities at amortized cost	8	11,932	40,174
Carrying amount of associated liabilities – due to credit institutions		(33,926)	(84,727)

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

15. Due to customers

Amounts due to customers comprise:

	30 June 2022 (unaudited)	31 December 2021
Current accounts of organizations in IBEC member countries	34,800	24,662
Amounts due to the Fund	7,025	12,001
Current accounts of organizations in other countries	42	262
Deposits of organizations in IBEC member countries	–	60,002
Other current accounts	3,145	4,313
Due to customers	**45,012**	**101,240**

As at 30 June 2022, balances due to three major customers of the Bank amounted to EUR 39,170 thousand, or 87.02% of total amounts due to customers (31 December 2021: EUR 91,693 thousand, or 90.57% 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.

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(EUR thousand)

15. Due to customers (continued)

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

	30 June 2022 (unaudited)		31 December 2021	
	Amount	**%**	**Amount**	**%**
Construction	30,917	88.7	19,720	23.2
Transport	817	2.4	1,324	1.6
Finance	738	2.1	1,495	1.8
Pharmaceuticals	270	0.8	514	0.6
Manufacturing	212	0.6	679	0.8
Trade	158	0.5	49	0.1
Research	149	0.4	368	0.4
Mining	2	0.0	2	0.0
Gas industry	–	–	60,002	70.6
Other	1,579	4.5	773	0.9
Total due to customers	**34,842**	**100**	**84,926**	**100**

16. Debt securities issued

Debt securities issued comprise:

	30 June 2022 (unaudited)	31 December 2021
RUB-denominated bonds	225,326	144,338
BGN-denominated bonds	34,685	34,656
Debt securities issued	**260,011**	**178,994**

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

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

On 9 October 2019, IBEC placed bonds on the Moscow Exchange in the amount of RUB 7 billion (EUR 98,266 thousand at the currency exchange rate as at the date of issue) with the maturity on 26 September 2029 and the offer date in October 2022. The coupon rate on the bonds was set at 7.90% payable on a semi-annual basis.

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

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(EUR thousand)

17. Credit-related commitments

Credit-related commitments comprise the following:

	30 June 2022 (unaudited)	*31 December 2021*
Guarantees issued	100,803	70,313
Loan commitments	71,330	63,395
Letters of credit	19,455	53,137
Reimbursement obligations	–	4,948
Total credit-related commitments	**191,588**	**191,793**
Allowance for expected credit losses (Notes 13, 22)	(10,390)	(493)
Credit-related commitments	**181,198**	**191,300**

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

	30 June 2022 (unaudited)	*31 December 2021*
Russian Federation	127,094	114,189
Mongolia	10,677	29,425
Czech Republic	1,882	1,195
Slovak Republic	813	199
Romania	796	775
Republic of Poland	486	297
Republic of Bulgaria	–	4,227
Other countries	39,450	40,993
Total	**181,198**	**191,300**

Other countries include countries, which are not the Bank's member countries; but carry out operations with the Bank's member countries.

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(EUR thousand)

17. Credit-related commitments (continued)

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

Credit-related commitments	***Stage 1***	***Stage 2***	***Total***
Amount of commitments at 1 January 2022	**191,793**	**–**	**191,793**
New exposures	96,743	–	**96,743**
Transfer to Stage 2	(137,459)	137,459	**–**
Exposures expired or amounts paid	(134,962)	–	**(134,962)**
Changes in currency exchange rates	38,014	–	**38,014**
Amount of commitments at 30 June 2022 (unaudited)	**54,129**	**137,459**	**191,588**
Allowance for expected credit losses at 1 January 2022	**493**	**–**	**493**
New exposures	11	–	**11**
Transfer to Stage 2	(10,366)	10,366	**–**
Exposures expired or amounts paid	(364)	–	**(364)**
Changes to models and inputs used for ECL calculations	3,201	–	**3,201**
Changes in currency exchange rates	7,049	–	**7,049**
Allowance for expected credit losses at 30 June 2022 (unaudited)	**24**	**10,366**	**10,390**
Amount of commitments at 1 January 2021	**140,256**	**–**	**140,256**
New exposures	111,902	–	111,902
Exposures expired or amounts paid	(93,027)	–	(93,027)
Changes in currency exchange rates	2,857	–	2,857
Amount of commitments at 30 June 2021 (unaudited)	**161,988**	**–**	**161,988**
Allowance for expected credit losses at 1 January 2021	**384**	**–**	**384**
New exposures	375	–	375
Exposures expired or amounts paid	(223)	–	(223)
Changes to models and inputs used for ECL calculations	(281)	–	(281)
Changes in currency exchange rates	17	–	17
Allowance for expected credit losses at 30 June 2021 (unaudited)	**272**	**–**	**272**

The Bank has outstanding contingencies to extend loans. These credit-related commitments involve extending loans under concluded loan agreements.

The Bank provides guarantees and extends letters of credit to guarantee the discharge of its customers' liabilities to third parties.

Reimbursement obligations are irrevocable reimbursement obligations of the Bank issued on behalf of banks issuing documentary letters of credit, which are confirmed and financed by foreign partner banks up to a stipulated amount under specific terms and conditions and collateralized by the underlying shipments of goods and therefore carry less risk than direct lending.

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

(EUR thousand)

17. Credit-related commitments (continued)

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

When issuing guarantees, letters of credit, reimbursement obligations, credit-related commitments, 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.

18. Interest income and interest expense

	For the six months ended 30 June (unaudited)	
	2022	***2021***
Interest income		
Interest income calculated using the EIR method		
Loans to corporate customers	5,286	4,165
Loans and deposits to banks	2,441	2,448
- loans issued to banks under trade financing	*1,200*	*1,088*
- syndicated loans	*777*	*1,008*
- term deposits with banks	*464*	*352*
Securities at fair value through other comprehensive income	1,775	2,251
Securities at amortized cost	1,196	1,073
Other	3	6
Other interest income		
Securities at fair value through profit or loss	95	168
Total interest income	**10,796**	**10,111**
Interest expense		
Interest expense calculated using the EIR method		
Debt securities issued	(2,577)	(1,353)
Due to customers	(2,214)	(346)
Due to credit institutions	(1,787)	(1,073)
Lease liabilities	(1)	(1)
Other	(432)	(26)
Total interest expense	**(7,011)**	**(2,799)**
Net interest income	**3,785**	**7,312**

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(EUR thousand)

19. Net fee and commission income

	For the six months ended 30 June (unaudited)	
	2022	**2021**
Documentary operations	984	553
Fee for servicing a loan/credit facility	94	121
Accounts maintenance	22	21
Cash and settlement operations	21	28
Currency control	12	8
Fiduciary operations	–	101
Fee and commission income	**1,133**	**832**
Fee and commission expense	(267)	(175)
Net fee and commission income	**866**	**657**

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

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

	For the six months ended 30 June (unaudited)	
	2022	**2021**
Result from disposal of debt securities	(12,807)	3,981
Total net (losses) gains from operations with securities at fair value through other comprehensive income	**(12,807)**	**3,981**

The (loss) gain from the revaluation of securities at fair value through other comprehensive income due to their disposal during the six months ended 30 June 2022 is reclassified from other comprehensive income to net (losses) gains from securities at fair value through other comprehensive income in the amount of EUR (12,916) thousand (six months ended 30 June 2021: EUR 4,270 thousand).

Unrealized losses from securities at fair value through other comprehensive income during the six months ended 30 June 2022 amounted to EUR 28,612 thousand (six months ended 30 June 2021: EUR 2,106 thousand).

21. Administrative and management expenses

	For the six months ended 30 June (unaudited)	
	2022	**2021**
Staff costs	4,190	4,493
Repair and maintenance of the building, equipment and apartments	674	707
Depreciation of property, plant and equipment	640	636
Building security expenses	182	139
Information and advisory expenses	138	155
Other administrative and management expenses	487	459
Total administrative and management expenses	**6,311**	**6,589**

(EUR thousand)

21. Administrative and management expenses (continued)

Staff costs comprise contributions to:

	For the six months ended 30 June (unaudited) 2022	2021
Pension Fund of the Russian Federation	457	455
Compulsory Medical Insurance Fund of the Russian Federation	134	137
Pension funds of other IBEC member countries	28	21
Total	**619**	**613**

22. Allowances for expected credit losses

The tables below shows (gains) losses associated with allowances for expected credit losses from financial assets recognized in profit or loss for the six months ended 30 June 2022 and six months ended 30 June 2021:

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

30 June 2021 (unaudited)	*Note*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Securities at fair value through other comprehensive income	7	(100)	2	–	**(98)**
Securities at amortized cost	8	(20)	–	–	**(20)**
Loans and deposits to banks	9	(94)	(19)	–	**(113)**
Loans to corporate customers	10	168	(106)	573	**635**
Credit-related commitments	17	(129)	–	–	**(129)**
Other financial assets	13	1	–	–	**1**
		(174)	**(123)**	**573**	**276**

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(EUR thousand)

22. Allowances for expected credit losses (continued)

The reconciliation of balances of the allowance for expected credit losses from financial assets as at 30 June 2022 and 30 June 2021 is presented below:

	Cash and cash equivalents	*Securities at fair value through other comprehensive income*	*Securities at amortized cost*	*Loans and deposits to banks*	*Loans to corporate customers*	*Credit-related commitments*	*Other financial assets*	*Total*
Balance at 1 January 2022	**–**	**1,266**	**791**	**876**	**5,004**	**493**	**1**	**8,431**
New originated or purchased assets	71	59	26	148	770	11	2	**1,087**
Assets derecognized or redeemed (excluding write-offs)	(76)	(700)	(398)	(7,594)	(12,466)	(364)	(7)	**(21,605)**
Changes to models and inputs used for ECL calculations	71	9,873	2,281	6,712	16,905	3,201	389	**39,432**
Assets sold		–	–	–	(55)	–	–	**(55)**
Changes in currency exchange rates	3	2,041	60	390	4,773	7,049	1	**14,317**
Balance at 30 June 2022 (unaudited)	**69**	**12,539**	**2,760**	**532**	**14,931**	**10,390**	**386**	**41,607**
Balance at 1 January 2021	**–**	**1,300**	**622**	**795**	**2,432**	**384**	**3**	**5,536**
New originated or purchased assets	–	76	9	397	481	375	3	**1,341**
Assets derecognized or redeemed (excluding write-offs)	–	(263)	(3)	(271)	(316)	(223)	(2)	**(1,078)**
Changes to models and inputs used for ECL calculations	–	89	(26)	(239)	470	(281)	–	**13**
Changes in currency exchange rates	–	2	7	21	54	17	–	**101**
Balance at 30 June 2021 (unaudited)	**–**	**1,204**	**609**	**703**	**3,121**	**272**	**4**	**5,913**

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(EUR thousand)

23. Other provisions

Movements in other provisions are presented below:

	Provisions for legal claims	***Provision for unused vacations***	***Total***
1 January 2022	**–**	**321**	**321**
Charge	–	154	**154**
Write-offs	–	(5)	**(5)**
30 June 2022 (unaudited)	**–**	**470**	**470**
1 January 2021	**11**	**181**	**192**
Charge	–	116	**116**
Write-offs	–	(7)	**(7)**
30 June 2021 (unaudited)	**11**	**290**	**301**

The provision for unused vacations and provisions for legal claims are recognized as other liabilities.

24. Risk management

Introduction

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

Risk management structure

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

Council of the Bank

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

Board of the Bank

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

Credit Committee (CC)

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

24. Risk management (continued)

Risk management structure (continued)

Risk Control Department (RCD)

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

Internal Audit Department (IAD)

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

Risk measurement and reporting systems

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

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

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

Risk mitigation

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

Excessive risk concentration

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

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

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24. Risk management (continued)

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.

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

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

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

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

Risks associated with credit-related commitments

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

Definition of default

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

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

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24. Risk management (continued)

Credit risk (continued)

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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24. Risk management (continued)

Credit risk (continued)

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

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

Credit risk levels (grades)

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

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

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

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

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

Creating a term structure of probability of default

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

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

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

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

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

Inputs for measuring expected credit losses

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

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

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.

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24. Risk management (continued)

Credit risk (continued)

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

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

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

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

Forward-looking information

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

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

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

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

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

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

Credit quality per class of financial assets

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

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

The table below shows the credit quality of assets exposed to credit risk (by three stages of impairment) by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available) as at 30 June 2022:

	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	42	1,487	–	**1,529**
Correspondent accounts with internationally rated banks	82,855	–	–	**82,855**
Correspondent accounts with banks having internal credit ratings only	10,043	32,391	–	**42,434**
Total	**92,940**	**33,878**	**–**	**126,818**
Allowance for expected credit losses	(7)	(62)	–	**(69)**
Carrying amount	**92,933**	**33,816**	**–**	**126,749**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	9,597	6,478	–	**16,075**
Internally rated only	–	37,589	–	**37,589**
Carrying amount	**9,597**	**44,067**	**–**	**53,664**
Allowance for expected credit losses	**(26)**	**(12,456)**	**–**	**(12,482)**
Pledged under repurchase agreements				
Internationally rated	**22,083**	–	–	**22,083**
Carrying amount	**22,083**	**–**	**–**	**22,083**
Allowance for expected credit losses	**(57)**	**–**	**–**	**(57)**

(continued on the next page)

(EUR thousand)

24. 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	10,816	–	–	**10,816**
Internally rated only	–	26,245	–	**26,245**
Total	**10,816**	**26,245**	**–**	**37,061**
Allowance for expected credit losses	(203)	(2,468)	–	**(2,671)**
Carrying amount	**10,613**	**23,777**	**–**	**34,390**
Pledged under repurchase agreements				
Internationally rated	12,021	–	–	**12,021**
Total	**12,021**	**–**	**–**	**12,021**
Allowance for expected credit losses	(89)	–	–	**(89)**
Carrying amount	**11,932**	**–**	**–**	**11,932**
Loans and deposits to banks				
Internationally rated	71,416	801	–	**72,217**
Internally rated only	–	5,398	–	**5,398**
Total	**71,416**	**6,199**	**–**	**77,615**
Allowance for expected credit losses	(348)	(184)	–	**(532)**
Carrying amount	**71,068**	**6,015**	**–**	**77,083**
Loans to corporate customers				
Internationally rated	21,968	41	–	**22,009**
Internally rated only	100,160	30,814	9,156	**140,130**
Total	**122,128**	**30,855**	**9,156**	**162,139**
Allowance for expected credit losses	(1,196)	(7,895)	(5,840)	**(14,931)**
Carrying amount	**120,932**	**22,960**	**3,316**	**147,208**

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality of assets exposed to credit risk (by three stages of impairment) by external ratings assigned by international rating agencies and internal credit ratings (if no external ratings are available) as at 31 December 2021:

	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	18,820	–	–	**18,820**
Correspondent accounts with internationally rated banks	7,837	–	–	**7,837**
Correspondent accounts with banks having internal credit ratings only	74	–	–	**74**
Total	**26,731**	**–**	**–**	**26,731**
Allowance for expected credit losses	–	–	–	**–**
Carrying amount	**26,731**	**–**	**–**	**26,731**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	139,416	6,820	–	**146,236**
Internally rated only	2,302	–	–	**2,302**
Carrying amount	**141,718**	**6,820**	**–**	**148,538**
Allowance for expected credit losses	**(690)**	**(478)**	**–**	**(1,168)**
Pledged under repurchase agreements				
Internationally rated	52,157	–	–	**52,157**
Carrying amount	**52,157**	**–**	**–**	**52,157**
Allowance for expected credit losses	**(98)**	**–**	**–**	**(98)**

(continued on the next page)

(EUR thousand)

24. 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	34,920	–	–	**34,920**
Internally rated only	3,003	–	–	**3,003**
Total	**37,923**	**–**	**–**	**37,923**
Allowance for expected credit losses	(463)	–	–	**(463)**
Carrying amount	**37,460**	**–**	**–**	**37,460**
Pledged under repurchase agreements				
Internationally rated	40,502	–	–	**40,502**
Total	**40,502**	**–**	**–**	**40,502**
Allowance for expected credit losses	(328)	–	–	**(328)**
Carrying amount	**40,174**	**–**	**–**	**40,174**
Loans and deposits to banks				
Internationally rated	175,622	–	–	**175,622**
Internally rated only	850	–	–	**850**
Total	**176,472**	**–**	**–**	**176,472**
Allowance for expected credit losses	(876)	–	–	**(876)**
Carrying amount	**175,596**	**–**	**–**	**175,596**
Loans to corporate customers				
Internationally rated	88,335	–	–	**88,335**
Internally rated only	102,093	10,256	8,301	**120,650**
Total	**190,428**	**10,256**	**8,301**	**208,985**
Allowance for expected credit losses	(1,643)	(863)	(2,498)	**(5,004)**
Carrying amount	**188,785**	**9,393**	**5,803**	**203,981**

As at 30 June 2022, credit-related commitments less allowances for expected credit losses in the amount of EUR 54,129 thousand and EUR 137,459 thousand relate to stage 1 and stage 2, respectively. As at 30 June 2022, credit-related commitments are transferred from stage 1 to stage 2. As at 31 December 2021, all credit-related commitments relate to stage 1. During the six months ended 30 June 2021, there were no transfers of credit-related commitments between stages.

As at 30 June 2022, other financial assets less allowances for expected credit losses in the amount of EUR 47,248 thousand relate to stage 2, and the remaining portion relates to stage 1. As at 30 June 2022, the assets are transferred from stage 1 to stage 2. As at 31 December 2021, all other financial assets relate to stage 1.

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(EUR thousand)

24. Risk management (continued)

Geographical risk

Information on risk concentration by geographical region is based on the geographical location of the Bank's counterparties. The table below shows risk concentration by geographical region as at 30 June 2022:

Country	*Cash and cash equivalents (other than cash on hand)*	*Securities at fair value through profit or loss held by the Bank*	*Securities at fair value through profit or loss pledged under repurchase agreements*	*Securities at fair value through other 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*	*Loans and deposits to banks*	*Loans to corporate customers*	*Derivative financial assets*	*Other financial assets*	*Total*	*Share, %*
Russian Federation	43,836	4,330	–	37,589	–	23,778	–	5,213	13,655	36,021	58,388	222,810	38.33
Mongolia	5	–	–	–	–	4,722	–	43,159	39,553	–	5	87,444	15.04
Republic of Bulgaria	8	–	–	2,336	3,363	2,001	11,932	–	41,951	–	404	61,995	10.66
Socialist Republic of Vietnam	5,687	–	–	–	–	–	–	11,548	29,125	–	–	46,360	7.97
IFI[3]	33,205	–	–	1,126	2,850	–	–	–	–	8	120	37,309	6.42
Republic of Poland	4,300	–	349	1,698	3,811	–	–	–	9,264	–	–	19,422	3.34
Romania	138	1,790	–	1,618	7,532	–	–	–	1,617	–	–	12,695	2.18
Czech Republic	–	–	–	3,859	583	3,889	–	–	299	–	–	8,630	1.49
Slovak Republic	–	–	–	–	1,934	–	–	–	1,576	–	–	3,510	0.60
Other countries	39,570	–	–	5,438	2,010	–	–	17,163	10,168	–	6,882	81,231	13.97
Total	**126,749**	**6,120**	**349**	**53,664**	**22,083**	**34,390**	**11,932**	**77,083**	**147,208**	**36,029**	**65,799**	**581,406**	**100**

Other countries are represented by Germany, the Republic of Uzbekistan, Switzerland, the Netherlands, Latvia, the Republic of Panama, Hungary, Luxembourg, the Republic of Austria, the USA, Belgium, and Slovenia, 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. As at 30 June 2022, IFI are represented by the European Investment Bank, the European Union, the Eurasian Development Bank and the New Development Bank.

(EUR thousand)

24. Risk management (continued)

Geographical risk (continued)

Information on risk concentration by geographical region is based on the geographical location of the Bank's counterparties. The table below shows risk concentration by geographical region as at 31 December 2021:

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*	*Loans and deposits to banks*	*Loans to corporate customers*	*Derivative financial assets*	*Other financial assets*	*Total*	*Share, %*
Russian Federation	8,829	–	–	18,293	10,951	18,369	7,157	56,423	42,794	472	17,077	**180,365**	**24.94**
Mongolia	5	–	–	16,107	–	4,391	–	50,098	39,598	–	12	**110,211**	**15.24**
Republic of Bulgaria	69	2,976	–	9,921	4,792	6,096	9,132	–	41,066	–	10	**74,062**	**10.24**
Romania	722	5,344	–	14,601	16,520	7,803	11,585	–	9,393	–	–	**65,968**	**9.13**
Socialist Republic of Vietnam	–	–	–	–	–	–	–	22,243	19,338	–	–	**41,581**	**5.75**
IFI[4]	–	–	–	38,809	–	–	–	–	–	–	–	**38,809**	**5.37**
Republic of Poland	179	1,987	–	9,324	8,632	801	4,213	–	12,308	–	–	**37,444**	**5.18**
Czech Republic	–	–	–	19,844	2,966	–	5,076	–	–	–	1	**27,887**	**3.85**
Slovak Republic	–	–	–	5,750	1,657	–	3,011	–	2,190	–	–	**12,608**	**1.74**
Other countries	16,927	–	–	15,889	6,639	–	–	46,832	37,294	–	10,630	**134,211**	**18.56**
Total	**26,731**	**10,307**	**–**	**148,538**	**52,157**	**37,460**	**40,174**	**175,596**	**203,981**	**472**	**27,730**	**723,146**	**100**

Other countries are represented by Switzerland, the Republic of Belarus, the Republic of Uzbekistan, Hungary, Germany, Latvia, the Republic of Panama, the UK, France, the Republic of Austria, Luxembourg, and the USA, i.e. countries that carry out their operations in transactions with the Bank's member countries.

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[4] IFI – international financial funds and institutions. As at 31 December 2021, IFI are represented by the European Investment Bank, the European Stability Mechanism, the European Union and the Eurasian Development Bank.

(EUR thousand)

24. Risk management (continued)

Liquidity risk and funding management

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

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

The tables below summarize the maturity profile of the Bank's financial liabilities as at 30 June 2022 and 31 December 2021 based on contractual undiscounted cash flows. Repayments which are subject to notice are treated as if notice were to be given immediately.

30 June 2022 (unaudited)	*On demand and less than 30 days*	*31 to 180 days*	*181 to 365 days*	*Over 365 days*	*Total gross amount of cash (inflow) outflow*	*Carrying amount*
Due to credit institutions	14,363	2,227	23,899	46,613	87,102	84,378
Due to customers	37,987	–	7,025	–	45,012	45,012
Debt securities issued	–	138,159	3,070	133,744	274,973	260,011
Other liabilities	55,882	2	2	7	55,893	55,893
Gross settled derivative financial instruments						
- inflow	(9,000)	–	–	(10,329)	(19,329)	(19,167)
- outflow	9,280	–	–	12,099	21,379	21,217
Total	**108,512**	**140,388**	**33,996**	**182,134**	**465,030**	**447,344**

31 December 2021	*On demand and less than 30 days*	*31 to 180 days*	*181 to 365 days*	*Over 365 days*	*Total gross amount of cash (inflow) outflow*	*Carrying amount*
Due to credit institutions	24,137	98,716	3,226	50,105	176,184	163,163
Due to customers	29,238	60,006	12,014	–	101,258	101,240
Debt securities issued	–	5,318	88,584	100,359	194,261	178,994
Other liabilities	4,815	2	2	10	4,829	4,829
Gross settled derivative financial instruments						
- inflow	(5,024)	(27,156)	(78,736)	(81,174)	(192,090)	(183,916)
- outflow	5,077	23,471	87,319	82,400	198,267	207,429
Total	**58,243**	**160,357**	**112,409**	**151,700**	**482,709**	**471,739**

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

	On demand and less than 1 month	*1 to 6 months*	*6 to 12 months*	*12 months to 5 years*	*Over 5 years*	*Total*
30 June 2022 (unaudited)	90,430	9,376	50,677	30,715	–	**181,198**
31 December 2021	75,270	18,458	25,402	21,189	50,981	**191,300**

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(EUR thousand)

24. Risk management (continued)

Classification of assets and liabilities by maturity

The tables below show the analysis of all financial assets and financial liabilities of the Bank as at 30 June 2022 and 31 December 2021 by contractual maturity. Quoted debt securities 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", as they are highly liquid securities, which can be sold by the Bank in the short-term on the arm-length basis. 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.

30 June 2022 (unaudited)	*On demand and less than 1 month*	*1 to 6 months*	*6 to 12 months*	*12 months to 5 years*	*Over 5 years*	*Overdue*	*Total*
Cash and cash equivalents	128,923	–	–	–	–	–	**128,923**
Securities at fair value through profit or loss							
- held by the Bank	6,120	–	–	–	–	–	**6,120**
- pledged under repurchase agreements	–	–	–	–	–	349	**349**
Securities at fair value through other comprehensive income							
- held by the Bank	53,664	–	–	–	–	–	**53,664**
- pledged under repurchase agreements	–	–	11,037	–	–	11,046	**22,083**
Securities at amortized cost							
- held by the Bank	–	–	12,036	20,745	1,609	–	**34,390**
- pledged under repurchase agreements	–	–	10,314	–	–	1,618	**11,932**
Loans and deposits to banks	16,297	35,280	6,371	9,234	–	9,901	**77,083**
Loans to corporate customers	24,007	10,153	26,444	51,741	32,869	1,994	**147,208**
Derivative financial assets	234	28,804	–	6,991	–	–	**36,029**
Other financial assets	65,702	–	14	83	–	–	**65,799**
Total financial assets	**294,947**	**74,237**	**66,216**	**88,794**	**34,478**	**24,908**	**583,580**
Due to credit institutions	205	–	20,548	10,466	39,781	13,378	**84,378**
Due to customers	37,987	–	7,025	–	–	–	**45,012**
Derivative financial liabilities	280	–	–	1,770	–	–	**2,050**
Debt securities issued	–	132,607	–	127,404	–	–	**260,011**
Other financial liabilities	45,022	2	2	7	–	–	**45,033**
Total financial liabilities	**83,494**	**132,609**	**27,575**	**139,647**	**39,781**	**13,378**	**436,484**
Net position	**211,453**	**(58,372)**	**38,641**	**(50,853)**	**(5,303)**	**11,530**	**147,096**
Cumulative liquidity gap for financial instruments	**211,453**	**153,081**	**191,722**	**140,869**	**135,566**	**147,096**	**–**

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(EUR thousand)

24. Risk management (continued)

Classification of assets and liabilities by maturity (continued)

31 December 2021	*On demand and less than 1 month*	*1 to 6 months*	*6 to 12 months*	*12 months to 5 years*	*Over 5 years*	*Overdue*	*Total*
Cash and cash equivalents	27,855	–	–	–	–	–	**27,855**
Securities at fair value through profit or loss							
- held by the Bank	10,307	–	–	–	–	–	**10,307**
- pledged under repurchase agreements	–	–	–	–	–	–	**–**
Securities at fair value through other comprehensive income							
- held by the Bank	148,538	–	–	–	–	–	**148,538**
- pledged under repurchase agreements	9,513	42,644	–	–	–	–	**52,157**
Securities at amortized cost							
- held by the Bank	–	–	–	30,188	7,272	–	**37,460**
- pledged under repurchase agreements	–	40,174	–	–	–	–	**40,174**
Loans and deposits to banks	29,296	55,036	60,247	31,017	–	–	**175,596**
Loans to corporate customers	7,956	36,024	27,550	92,688	39,389	374	**203,981**
Derivative financial assets	8	201	–	121	142	–	**472**
Other financial assets	27,570	32	–	128	–	–	**27,730**
Total financial assets	**261,043**	**174,111**	**87,797**	**154,142**	**46,803**	**374**	**724,270**
Due to credit institutions	23,975	89,760	–	9,673	39,755	–	**163,163**
Due to customers	29,237	60,002	12,001	–	–	–	**101,240**
Derivative financial liabilities	10	64	12,622	10,816	1	–	**23,513**
Debt securities issued	–	1,764	83,198	94,032	–	–	**178,994**
Other financial liabilities	4,001	2	2	10	–	–	**4,015**
Total financial liabilities	**57,223**	**151,592**	**107,823**	**114,531**	**39,756**	**–**	**470,925**
Net position	**203,820**	**22,519**	**(20,026)**	**39,611**	**7,047**	**374**	**253,345**
Cumulative liquidity gap for financial instruments	**203,820**	**226,339**	**206,313**	**245,924**	**252,971**	**253,345**	**–**

Market risk

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

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(EUR thousand)

24. Risk management (continued)

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.

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

Interest rate sensitivity analysis

	30 June 2022 (unaudited)		***31 December 2021***	
	Profit or loss	***Equity***	***Profit or loss***	***Equity***
1 bp parallel fall	**(725)**	**(726)**	**(22)**	**(97)**
EUR	(1,060)	(1,061)	(303)	(378)
USD	(374)	(374)	290	290
RUB	837	837	(5)	(5)
Other currencies	(128)	(128)	(4)	(4)
1 bp parallel rise	**725**	**726**	**22**	**97**
EUR	1,060	1,061	303	378
USD	374	374	(290)	(290)
RUB	(837)	(837)	5	5
Other currencies	128	128	4	4

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(EUR thousand)

24. Risk management (continued)

Interest rate risk (continued)

Average interest rates

The following table shows weighted average interest rates for interest-bearing assets and liabilities as at 30 June 2022 and 31 December 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	30 June 2022 (unaudited)				***31 December 2021***			
	Average interest rate, %				***Average interest rate, %***			
	EUR	***USD***	***RUB***	***Other currencies***	***EUR***	***USD***	***RUB***	***Other currencies***
Interest-bearing assets								
Correspondent accounts with banks in IBEC member countries and other banks	(1.04)	0.06	4.43	(0.27)	(0.52)	–	–	0.06
Securities at fair value through profit or loss								
- held by the Bank	1.49	–	–	–	2.51	–	–	–
- pledged under repurchase agreements	2.25	–	–	–	–	–	–	–
Securities at fair value through other comprehensive income								
- held by the Bank	2.69	3.23	7.35	–	1.63	3.60	5.83	–
- pledged under repurchase agreements	1.99	–	–	–	1.50	3.38	6.60	–
Securities at amortized cost								
- held by the Bank	3.25	7.79	6.89	–	3.23	7.25	6.89	–
- pledged under repurchase agreements	3.20	–	–	–	2.66	7.75	–	–
Loans and deposits to banks	2.90	4.13	7.96	(0.80)	1.83	3.19	10.33	–
Loans to corporate customers	4.59	4.54	12.28	5.72	4.57	4.89	10.55	2.67
Consumer lending	3.00	–	–	–	3.00	–	–	–
Interest-bearing liabilities								
Due to credit institutions	0.43	1.67	–	3.65	0.43	0.98	8.67	2.11
Correspondent accounts with banks in IBEC member countries and other credit institutions	(0.50)	–	4.28	–	(0.50)	–	3.55	–
Due to customers	0.81	2.55	–	–	0.06	0.76	2.33	–
Debt securities issued	–	–	7.19	1.15	–	–	7.19	1.15

(EUR thousand)

24. Risk management (continued)

Currency risk

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

The table below shows the general analysis of the currency risk of the Bank for its financial assets and liabilities as at 30 June 2022:

	Note	*USD*	*RUB*	*EUR*	*Other*	*Total*
Cash and cash equivalents		26,757	19,477	76,934	5,755	**128,923**
Securities at fair value through profit or loss						
- held by the Bank		–	–	6,120	–	**6,120**
- pledged under repurchase agreements		–	–	349	–	**349**
Securities at fair value through other comprehensive income						
- held by the Bank		9,956	16,721	26,987	–	**53,664**
- pledged under repurchase agreements		–	–	22,083	–	**22,083**
Securities at amortized cost						
- held by the Bank		12,640	1,039	20,711	–	**34,390**
- pledged under repurchase agreements		–	–	11,932	–	**11,932**
Loans and deposits to banks		62,690	725	13,661	7	**77,083**
Loans to corporate customers		24,394	6,910	107,435	8,469	**147,208**
Other financial assets	13	4,593	1,636	55,370	4,200	**65,799**
Total financial assets		**141,030**	**46,508**	**341,582**	**18,431**	**547,551**
Due to credit institutions		40,626	154	39,812	3,786	**84,378**
Due to customers		303	32,665	10,758	1,286	**45,012**
Debt securities issued		–	225,326	–	34,685	**260,011**
Other financial liabilities	13	102	41,788	3,143	–	**45,033**
Total financial liabilities		**41,031**	**299,933**	**53,713**	**39,757**	**434,434**
Net balance sheet position		**99,999**	**(253,425)**	**287,869**	**(21,326)**	**113,117**
Net off-balance sheet position		**(110,499)**	**147,977**	**(3,499)**	**–**	**33,979**
Net balance sheet and off-balance sheet position		**(10,500)**	**(105,448)**	**284,370**	**(21,326)**	**147,096**

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

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(EUR thousand)

24. 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 2021:

	Note	USD	RUB	EUR	Other	Total
Cash and cash equivalents		2,233	4,290	19,931	1,401	**27,855**
Securities at fair value through profit or loss						
- held by the Bank		–	–	10,307	–	**10,307**
- pledged under repurchase agreements		–	–	–	–	**–**
Securities at fair value through other comprehensive income						
- held by the Bank		23,149	967	124,422	–	**148,538**
- pledged under repurchase agreements		4,081	4,792	43,284	–	**52,157**
Securities at amortized cost						
- held by the Bank		4,391	716	32,353	–	**37,460**
- pledged under repurchase agreements		4,339	–	35,835	–	**40,174**
Loans and deposits to banks		94,201	11,432	69,963	–	**175,596**
Loans to corporate customers		22,049	31,202	114,500	36,230	**203,981**
Other financial assets	13	90	817	26,817	6	**27,730**
Total financial assets		**154,533**	**54,216**	**477,412**	**37,637**	**723,798**
Due to credit institutions		83,296	10,986	39,825	29,056	**163,163**
Due to customers		534	21,011	79,301	394	**101,240**
Debt securities issued		–	144,338	–	34,656	**178,994**
Other financial liabilities	13	2	975	2,984	54	**4,015**
Total financial liabilities		**83,832**	**177,310**	**122,110**	**64,160**	**447,412**
Net balance sheet position		**70,701**	**(123,094)**	**355,302**	**(26,523)**	**276,386**
Net off-balance sheet position		**(70,904)**	**120,004**	**(64,895)**	**(7,246)**	**(23,041)**
Net balance sheet and off-balance sheet position		**(203)**	**(3,090)**	**290,407**	**(33,769)**	**253,345**

As at 30 June 2022 and 31 December 2021, a weakening of the euro against the Russian ruble and the US dollar would have caused an increase (decrease) in equity and profit (or loss) as shown in the table below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The effect on the equity does not differ from the effect on the interim statement of profit or loss.

	30 June 2022 (unaudited)	31 December 2021
20% appreciation of USD against EUR	(2,100)	(41)
20% appreciation of RUB against EUR	(21,090)	(618)

A strengthening of the euro against the above currencies as at 30 June 2022 and 31 December 2021 would have had the opposite effect provided that all other variables are held constant.

(EUR thousand)

24. 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.

25. Fair value measurement

Fair value measurements

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 of the Bank and independent auditors of the Bank. This includes a discussion of the major assumptions used in the valuations.

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

Fair value hierarchy

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

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

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

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(EUR thousand)

25. Fair value measurement (continued)

Fair value hierarchy (continued)

The following tables show the analysis of financial instruments presented in the interim condensed financial statements at fair value by level of the fair value hierarchy as at 30 June 2022 and 31 December 2021:

30 June 2022 (unaudited)	***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				
- Eurobonds of IBEC member countries	–	–	3,521	**3,521**
- corporate Eurobonds	1,790	–	809	**2,599**
Securities at fair value through profit or loss pledged under repurchase agreements				
- corporate Eurobonds	349	–	–	**349**
Securities at fair value through other comprehensive income held by the Bank				
- corporate Eurobonds	14,949	–	20,778	**35,727**
- Bonds of IBEC member countries	9,151	–	–	**9,151**
- Eurobonds of banks	–	–	4,139	**4,139**
- Eurobonds of IBEC member countries	–	–	3,521	**3,521**
- Eurobonds of international financial institutions	–	–	1,126	**1,126**
Securities at fair value through other comprehensive income pledged under repurchase agreements				
- corporate Eurobonds	9,232	–	–	**9,232**
- Eurobonds of IBEC member countries	6,731	–	–	**6,731**
- Eurobonds of international financial institutions	2,850	–	–	**2,850**
- bonds of banks	1,934	–	–	**1,934**
- Eurobonds of banks	1,336	–	–	**1,336**
Derivative financial assets	–	36,029	–	**36,029**
Property, plant and equipment – buildings	–	–	48,800	**48,800**
	48,322	**36,029**	**82,694**	**167,045**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	–	128,923	**128,923**
Securities at amortized cost	–	–	46,322	**46,322**
Loans and deposits to banks	–	–	77,083	**77,083**
Loans to corporate customers	–	–	147,208	**147,208**
	–	**–**	**399,536**	**399,536**
Liabilities measured at fair value				
Derivative financial liabilities	**–**	**2,050**	**–**	**2,050**
Liabilities for which fair values are disclosed				
Due to credit institutions	–	–	84,378	**84,378**
Due to customers	–	–	45,012	**45,012**
Debt securities issued	–	–	260,011	**260,011**
	–	**–**	**389,401**	**389,401**

(EUR thousand)

25. Fair value measurement (continued)

Fair value hierarchy (continued)

	Fair value measurement using			
31 December 2021	***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	5,344	–	–	**5,344**
- corporate Eurobonds	4,963	–	–	**4,963**
Securities at fair value through other comprehensive income held by the Bank				
- corporate Eurobonds	55,668	–	–	**55,668**
- Eurobonds of IBEC member countries	33,166	–	–	**33,166**
- Eurobonds of international financial institutions	26,164	–	–	**26,164**
- Eurobonds of funds	12,645	–	–	**12,645**
- Eurobonds of banks	11,708	–	–	**11,708**
- bonds of banks	3,705	–	–	**3,705**
- corporate bonds	967	2,302	–	**3,269**
- Bonds of IBEC member countries	2,045	–	–	**2,045**
- Eurobonds of other countries	168	–	–	**168**
Securities at fair value through other comprehensive income pledged under repurchase agreements				
- Eurobonds of IBEC member countries	25,194	–	–	**25,194**
- corporate Eurobonds	16,491	–	–	**16,491**
- Eurobonds of other countries	6,639	–	–	**6,639**
- Eurobonds of banks	2,176	–	–	**2,176**
- bonds of banks	1,657	–	–	**1,657**
Derivative financial assets	–	472	–	**472**
Property, plant and equipment – buildings	–	–	49,150	**49,150**
	208,700	**2,774**	**49,150**	**260,624**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	–	27,855	**27,855**
Securities at amortized cost	–	–	77,634	**77,634**
Loans and deposits to banks	–	–	175,596	**175,596**
Loans to corporate customers	–	–	203,981	**203,981**
	–	**–**	**485,066**	**485,066**
Liabilities measured at fair value				
Derivative financial liabilities	**–**	**23,513**	**–**	**23,513**
Liabilities for which fair values are disclosed				
Due to credit institutions	–	–	163,163	**163,163**
Due to customers	–	–	101,240	**101,240**
Debt securities issued	–	–	178,994	**178,994**
	–	**–**	**443,397**	**443,397**

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(EUR thousand)

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

Securities at fair value

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

Transfers between Level 1 and Level 2

During the six months ended 30 June 2022, there were no transfers from Level 1 to 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 the six months ended 30 June 2021:

	Transfers from Level 1 to Level 2
Financial assets	
Securities at fair value through other comprehensive income held by the Bank	
- Eurobonds of international financial institutions	2,003
- bonds of banks	339
	2,342

The above financial instruments were transferred from Level 1 to Level 2, as during the period, despite the sufficient volume of trade, the frequency of trade was insufficient to classify them as actively traded. Their fair values were subsequently determined using valuation techniques based on observable market inputs.

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

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(EUR thousand)

25. Fair value measurement (continued)

Securities at fair value (continued)

The following table shows transfers between Level 2 and Level 1 of the fair value hierarchy for financial assets measured at fair value for the six months ended 30 June 2021:

	Transfers from Level 2 to Level 1
Financial assets	
Securities at fair value through other comprehensive income held by the Bank	
- corporate Eurobonds	1,010
	1,010

Movements in Level 3 financial instruments measured at fair value

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

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

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

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

During the six months ended 30 June 2021, there were no transfers from Level 1 to Level 3.

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

As at 30 June 2022 and 31 December 2021, the fair value of financial assets and liabilities not carried at fair value in the interim statement of financial position did not differ significantly from their carrying amount. Financial assets and liabilities not recorded at fair value in the interim statement of financial position include loans and deposits to banks, loans to corporate customers, amounts due to credit institutions, amounts due to customers, debt securities issued and securities measured at amortized cost.

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(EUR thousand)

26. Segment reporting

For the purposes of managing operating activities, making decisions on resource allocation and assessing performance, the Bank is organized into three operating segments based on its mission of assisting in developing market economic relations among business entities in 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; raising corporate and interbank financing from counterparties from member countries.
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 and raising corporate and interbank financing from counterparties from non-member countries, 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 access their operating performance. Segment performance is measured on the basis of operating profit or loss, which is calculated differently from operating profit or loss recorded in the interim condensed financial statements, as indicated in the table below.

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(EUR thousand)

26. Segment reporting (continued)

Income and expense by segment and profit for the six months ended 30 June 2022 and 30 June 2021, respectively, are shown in the table below:

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

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(EUR thousand)

26. Segment reporting (continued)

Six months ended 30 June 2021 (unaudited)	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income calculated using the EIR method	8,059	1,878	6	**9,943**
Other interest income	92	76	–	**168**
Interest expense	(2,252)	(526)	(21)	**(2,799)**
Net interest income (expense)	**5,899**	**1,428**	**(15)**	**7,312**
Allowance (reversal of allowance) for expected credit losses from financial assets	117	(393)	–	**(276)**
Net interest income (expense) after allowance for expected credit losses	**6,016**	**1,035**	**(15)**	**7,036**
Net fee and commission income	605	52	–	**657**
Net gains (losses) from operations with securities at fair value through profit or loss	66	(140)	–	**(74)**
Net gains from operations with securities at fair value through other comprehensive income	3,128	853	–	**3,981**
Net gains (losses) from operations with derivative financial instruments and foreign currency	2,817	(3,393)	(46)	**(622)**
Lease income	–	–	930	**930**
Other banking income	–	17	235	**252**
Other provisions	–	–	(116)	**(116)**
Other banking expenses	(37)	(14)	–	**(51)**
Segment profit (loss)	**12,595**	**(1,590)**	**988**	**11,993**

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

	For the six months ended 30 June (unaudited)	
	2022	***2021***
Total segment (loss) profit	**(104,424)**	**11,993**
Other unallocated expenses	(6,311)	(6,589)
(Loss) profit for the period	**(110,735)**	**5,404**

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

	Development portfolio	***Other banking activities***	***Other activities***	***Total***
Segment assets				
30 June 2022 (unaudited)	287,538	294,752	53,011	**635,301**
31 December 2021	497,074	226,154	53,206	**776,434**

	Development portfolio	***Other banking activities***	***Other activities***	***Total***
Segment liabilities				
30 June 2022 (unaudited)	355,449	85,878	6,017	**447,344**
31 December 2021	360,278	102,881	8,580	**471,739**

(EUR thousand)

26. Segment reporting (continued)

	Development portfolio	*Other banking activities*	*Other activities*	*Total*
Credit-related commitments				
30 June 2022 (unaudited)	109,868	71,330	–	**181,198**
31 December 2021	127,905	63,395	–	**191,300**

During the six months ended 30 June 2022, the Bank's revenue from lease operations with three external counterparties (30 June 2021: two external counterparties) exceeded 20% of the Bank's income for six months ended 30 June 2022: EUR 1,047 thousand (30 June 2021: EUR 671 thousand).

Segment revenue from contracts with external customers that are within the scope of IFRS 15 for the six months ended 30 June 2022 and 30 June 2021 is as follows:

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

Six months ended 30 June 2021 (unaudited)	*Development portfolio*	*Other banking activities*	*Other activities*	*Total*
Interest income	8,151	1,954	6	**10,111**
Fee and commission income	724	108	–	**832**
- documentary operations	*553*	–	–	***553***
- fee for servicing a loan/credit facility	*121*	–	–	***121***
- fiduciary operations	–	*101*	–	***101***
- cash and settlement operations	*25*	*3*	–	***28***
- accounts maintenance	*17*	*4*	–	***21***
- currency control	*8*	–	–	***8***
Lease income	–	–	930	**930**
Total revenue from contracts with customers	**8,875**	**2,062**	**936**	**11,873**

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(EUR thousand)

27. Related party transactions

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

Transactions with the Bank's key management personnel

During the six months ended 30 June 2022, remuneration to the key management personnel of the Bank amounted to EUR 843 thousand (30 June 2021: EUR 956 thousand). Remuneration to the key management personnel of the Bank includes contributions to the Pension Fund of the Russian Federation in the amount of EUR 23 thousand (30 June 2021: EUR 23 thousand), the pension funds in IBEC member countries in the amount of EUR 11 thousand (30 June 2021: EUR 5 thousand) and the Compulsory Medical Insurance Fund of the Russian Federation in the amount of EUR 10 thousand (30 June 2021: EUR 11 thousand).

As at 30 June 2022 and 31 December 2021, balances on the accounts of the Bank's key management personnel were as follows:

	30 June 2022 (unaudited)	***31 December 2021***
Current accounts	66	910

Transactions with government-related companies

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

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

Interim statement of financial position	***30 June 2022 (unaudited)***	***31 December 2021***
Assets		
Cash and cash equivalents	76,317	4,537
Securities at fair value through profit or loss	4,330	8,320
Securities at fair value through other comprehensive income	42,454	93,796
Securities at amortized cost	38,404	47,951
Loans and deposits to banks	19,033	34,708
Loans to corporate customers	51,512	57,484
Derivative financial assets	17,714	353
Other assets	8,348	6,059
Liabilities		
Due to credit institutions	39,782	59,145
Due to customers	7,554	72,405
Derivative financial liabilities	2,050	7,760
Other liabilities	2,127	148
Off-balance sheet commitments		
Credit-related commitments	–	10,722

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(EUR thousand)

27. Related party transactions (continued)

Transactions with government-related entities (continued)

Amounts included in the interim statement of profit or loss and other comprehensive income for transactions with government-related companies for the six months ended 30 June 2022 and 30 June 2021 are as follows:

	For the six months ended 30 June (unaudited)	
Interim statement of profit or loss and other comprehensive income	***2022***	***2021***
Interest income calculated using the EIR method	4,723	5,062
Other interest income	54	165
Interest expense	(3,034)	(796)
(Allowance) reversal of allowance for expected credit losses from financial assets	(13,132)	272
Fee and commission income	7	42
Fee and commission expense	(60)	(13)
Net losses from operations with securities at fair value through profit or loss	(1,443)	(168)
Net (losses) gains from operations with securities at fair value through other comprehensive income	(8,849)	1,780
Net losses from operations with securities at amortized cost	(219)	–
Net (losses) gains from operations with derivative financial instruments and foreign currency	(1,728)	662
Lease income	1,108	890
Other banking income	63	47
Administrative and management expenses	(164)	(164)
Other banking expenses	(31)	–

28. Capital adequacy

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

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

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

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

The Bank's capital adequacy ratio as at 30 June 2022 and 31 December 2021 comprised 23.5% and 41.1%, respectively.

(intentionally blank)

(EUR thousand)

28. Capital adequacy (continued)

The table below shows the composition of the Bank's capital computed in accordance with the Basel Accord (Basel II) as at 30 June 2022 and 31 December 2021.

	30 June 2022 (unaudited)	***31 December 2021***
Capital	187,957	304,695
Total capital	**187,957**	**304,695**
Risk-weighted assets		
Credit risk	610,203	661,245
Market risk	178,425	70,048
Operational risk	10,635	10,635
Total risk-weighted assets	**799,263**	**741,928**

29. Events after the reporting period

At the end of July 2022, three European member countries sent official notice to the Bank of refusal to participate in the Agreement and from membership in the Bank.