IBEC
INTERNATIONAL BANK
FOR ECONOMIC CO-OPERATION

International Bank for Economic Co-operation

Interim condensed financial statements

30 June 2024
(together with report on review)

Contents

ООО «ЦАТР – аудиторские услуги»
Россия, 115035, Москва
Садовническая наб., 75
Тел.: +7 495 705 9700
+7 495 755 9700
Факс: +7 495 755 9701
ОГРН: 1027739707203
ИНН: 7709383532
ОКПО: 59002827
КПП: 770501001

TSATR – Audit Services LLC
Sadovnicheskaya Nab., 75
Moscow, 115035, Russia
Tel: +7 495 705 9700
+7 495 755 9700
Fax: +7 495 755 9701
www.b1.ru

Report on Review of the Interim Financial Information

To the Council of International Bank for Economic Co-operation

Introduction

We have reviewed the accompanying interim condensed financial statements of International Bank for Economic Co-operation (hereinafter, the "Bank"), which comprise of the interim statement of financial position as at 30 June 2024, the interim statement of profit or loss and other comprehensive income, interim statement of changes in equity and interim statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information).

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

Scope of review

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

NEW CHALLENGES
NEW SOLUTIONS

Conclusion

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

Shinin Gennadiy Aleksandrovich
Partner
TSATR – Audit Services Limited Liability Company

16 August 2024

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 nab., 75.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the 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 2024

(EUR thousand)

	Note	*30 June 2024 (unaudited)*	*31 December 2023*
Assets			
Cash and cash equivalents	5	55,895	21,559
Securities at fair value through profit or loss	6	4,648	4,555
Securities at fair value through other comprehensive income	7	201,951	172,332
Securities at amortized cost	8	30,718	36,981
Loans and deposits to banks	9	43,390	94,439
- *Loans issued to banks under trade financing*		*37,541*	*32,343*
- *Term deposits with banks*		*5,849*	*62,096*
Loans to corporate customers	10	128,725	126,949
Derivative financial assets	11	381	–
Property, plant and equipment, intangible assets and right-of-use assets	12	51,645	52,249
Other assets	13	4,912	9,782
Total assets		**522,265**	**518,846**
Liabilities			
Due to financial institutions	14	76,685	99,105
Due to customers	15	60,486	22,581
Derivative financial liabilities	11	295	6,255
Debt securities issued	16	160,692	147,073
Other liabilities	13	1,719	10,694
Total liabilities		**299,877**	**285,708**
Equity			
Paid-in capital	1	200,000	200,000
Revaluation reserve for securities at fair value through other comprehensive income		(18,111)	(448)
Revaluation reserve for property, plant and equipment		23,115	23,115
Cash flow hedge reserve	11	–	312
Retained earnings less net profit for the period		10,159	7,636
Net profit for the period		7,225	2,523
Total equity		**222,388**	**233,138**
Total liabilities and equity		**522,265**	**518,846**
Off-balance sheet commitments			
Credit-related commitments	17	71,960	60,119

Denis Ivanov — Chairman of the Board

Inna Zheleznova — Director of the Financial Department

16 August 2024

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 2024

(EUR thousand)

		For the six months ended 30 June (unaudited)	
	Note	**2024**	**2023**
Interest income calculated using the EIR method		21,154	8,434
Other interest income		34	64
Interest expense		(16,303)	(3,572)
Net interest income	18	**4,885**	**4,926**
Reversal of allowance (allowance) for expected credit losses from financial assets	22	4,609	(4,481)
Net interest income after allowance for expected credit losses		**9,494**	**445**
Fee and commission income		718	481
Fee and commission expense		(390)	(521)
Net fee and commission income (expense)	19	**328**	**(40)**
Net gains (losses) from operations with securities at fair value through profit or loss		59	(334)
Net gains (losses) from operations with securities at fair value through other comprehensive income	20	2,414	(481)
Net losses from operations with securities at amortized cost	8	(638)	(250)
Net gains (losses) from operations with derivative financial instruments and foreign currency			
- *Dealing*	11	*1,609*	*3,973*
- *Revaluation of currency items*		*(654)*	*2,596*
Lease income		587	978
Other banking income		348	360
Administrative and management expenses	21	(5,910)	(5,958)
Net losses from disposal of property, plant and equipment		(3)	(7)
Other provisions	23	(78)	(41)
Other banking expenses		(331)	(8)
Profit for the period		**7,225**	**1,233**

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Interim statement of profit or loss and other comprehensive income

for the six months ended 30 June 2024 (continued)

(EUR thousand)

		For the six months ended 30 June (unaudited)	
	Note	**2024**	**2023**
Other comprehensive (loss) income			
Items that are or may be subsequently reclassified to profit or loss			
Unrealized (losses) gains from securities at fair value through other comprehensive income	20	(9,331)	7,994
Realized (gains) losses from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	20	(2,373)	599
Change in allowance for expected credit losses		(5,959)	8,245
Net (losses) gains from cash flow hedges	11	(312)	1,461
Total items that are or may be subsequently reclassified to profit or loss		**(17,975)**	**18,299**
Total other comprehensive (loss) income		**(17,975)**	**18,299**
Total comprehensive (loss) income for the period		**(10,750)**	**19,532**

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Interim statement of changes in equity

for the six months ended 30 June 2024

(EUR thousand)

	Paid-in capital	***Revaluation reserve for securities at fair value through other comprehensive income***	***Revaluation reserve for property, plant and equipment***	***Cash flow hedge reserve***	***Retained earnings***	***Total equity***
1 January 2024	**200,000**	**(448)**	**23,115**	**312**	**10,159**	**233,138**
Net profit for the period	**–**	**–**	**–**	**–**	**7,225**	**7,225**
Other comprehensive income						
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	–	(9,331)	–	–	–	**(9,331)**
Realized gains from operations with securities at fair value through other comprehensive income, reclassified to profit or loss	–	(2,373)	–	–	–	**(2,373)**
Change in allowance for expected credit losses	–	(5,959)	–	–	–	**(5,959)**
Net unrealized losses from cash flow hedges	–	–	–	275	–	**275**
Net gains from cash flow hedges, reclassified to profit or loss	–	–	–	(587)	–	**(587)**
Total items that are or may be subsequently reclassified to profit or loss	**–**	**(17,663)**	**–**	**(312)**	**–**	**(17,975)**
Total other comprehensive loss	**–**	**(17,663)**	**–**	**(312)**	**–**	**(17,975)**
Total comprehensive loss for the period	**–**	**(17,663)**	**–**	**(312)**	**7,225**	**(10,750)**
30 June 2024 (unaudited)	**200,000**	**(18,111)**	**23,115**	**–**	**17,384**	**222,388**

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 2024 (continued)

(EUR thousand)

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

Interim statement of cash flows

for the six months ended 30 June 2024

(EUR thousand)

	Note	For the six months ended 30 June (unaudited) 2024	2023
Cash flows from operating activities			
Profit for the period		**7,225**	**1,233**
Adjustments for:			
Accrued interest receivable		(772)	122
Accrued interest payable		(319)	(1,273)
Other accrued income receivable		(56)	71
Other accrued expenses payable		401	160
Depreciation and amortization	21	691	688
(Reversal of allowance) allowance for expected credit losses from financial assets		(4,609)	4,481
Other provisions		78	41
Remeasurement of securities at fair value through profit or loss		(59)	334
Revaluation of currency items		654	(3,087)
Fair value remeasurement of hedges		–	491
Net (gains) losses from operations with securities at fair value through other comprehensive income	20	(2,414)	481
Net losses from disposal of property, plant and equipment		3	7
Cash from operating activities before changes in operating assets and liabilities		**823**	**3,749**
(Increase) decrease in operating assets			
Loans and deposits to banks		52,401	5,885
Loans to corporate customers		2,159	12,284
Other assets		(2,590)	(4,314)
Increase (decrease) in operating liabilities			
Due to financial institutions		(25,133)	(24,568)
Due to customers		33,589	3,540
Other liabilities		(8,988)	(329)
Net cash from (used in) operating activities		**52,261**	**(3,753)**
Cash flows from investing activities			
Purchases of securities at fair value through other comprehensive income		(84,813)	(41,288)
Sales of securities at fair value through other comprehensive income		52,723	10,348
Purchases of securities at amortized cost		–	(2,329)
Proceeds from sale of securities at amortized cost		9,668	4,750
Purchases of property, plant and equipment		(94)	(66)
Net cash used in investing activities		**(22,516)**	**(28,585)**

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 2024 (continued)

(EUR thousand)

		For the six months ended 30 June (unaudited)	
	Note	***2024***	***2023***
Cash flows from financing activities			
Proceeds from bonds issued	16	52,399	18,668
Redemption of bonds	16	(50,294)	–
Long-term financing repaid to banks		(1,111)	(864)
Net cash from (used in) financing activities		**994**	**17,804**
Net increase (decrease) in cash and cash equivalents before translation differences		**30,739**	**(14,534)**
Effect of changes in exchange rates on cash and cash equivalents		3,597	(6,790)
Effect of changes in expected credit losses on cash and cash equivalents		–	(52)
Net increase (decrease) in cash and cash equivalents		**34,336**	**(21,376)**
Cash and cash equivalents at 31 December of the year preceding the reporting period	5	21,559	88,461
Cash and cash equivalents at 30 June of the reporting year	5	**55,895**	**67,085**
Additional information			
Interest received		20,416	8,620
Interest paid		(16,622)	(4,845)

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 on 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 May 2024, the IBEC Council approved the IBEC's Development Strategy for 2024-2026, where IBEC postures itself as a major player in building foreign trade relations between member countries to support stable development of their economies and societies. The Bank's mission is to develop international supply chains in accordance with the needs of the member countries through providing a full set of tools to corporate sector and financial institutes to support trade operations.

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

- Granting loans and bank guarantees, placing deposits and other borrowings, financing capital investments, discounting promissory notes, purchasing and selling securities, participating in the capital of banks, financial and other institutions;
- Attracting deposits and loans, issuing securities;
- 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;
- Other banking operations.

In accordance with the Agreement, the authorized share capital of IBEC consists of equity contributions from IBEC member countries and amounts to EUR 400,000 thousand. The paid portion of IBEC's share capital as at 30 June 2024 amounts to EUR 200,000 thousand (31 December 2023: EUR 200,000 thousand).

As at 30 June 2024 and 31 December 2023, the Bank's member countries are three countries: the Socialist Republic of Vietnam, Mongolia, and the Russian Federation.

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

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

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(EUR thousand)

1. Principal activities of the Bank (continued)

As at 30 June 2024, no bilateral agreements were signed with the countries that withdrew from the Agreement on the Organization and Activities of IBEC in 2023 (IBEC and the withdrawing countries are holding bilateral consultations with regard to draft bilateral agreements sent by the Bank), and there was no reduction in IBEC's paid-in capital. The allocation of the countries' shares in the Bank's paid-in share capital as at 30 June 2024 and 31 December 2023 is provided below:

	30 June 2024 (unaudited)		*31 December 2023*	
	Amount	***%***	***Amount***	***%***
Member countries of the Bank	**106,605**	**53.3**	**106,605**	**53.3**
Russian Federation	103,179	51.59	103,179	51.59
Mongolia	2,668	1.33	2,668	1.33
Socialist Republic of Vietnam	758	0.38	758	0.38
Withdrawing countries	**93,395**	**46.7**	**93,395**	**46.7**
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
Total	**200,000**	**100**	**200,000**	**100**

In accordance with Article 20 of the Statutes of IBEC, each member country has one vote regardless of the amount of its contribution to the Bank's share capital.

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

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

On 19 February 2024, Analytical Credit Rating Agency (ACRA) confirmed the credit rating of IBEC at BBB+, with a stable outlook, under the international scale and at AAA(RU), with a stable outlook, under the national scale for the Russian Federation, as well as AAA(RU) rating for IBEC's Series 001P-02 bonds.

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(EUR thousand)

1. Principal activities of the Bank (continued)

In the first half of 2024, IBEC implemented a number of measures that were significant for the development of the Bank's operations, expansion of its partner network and enhancement of the IBEC brand recognition across the business community:

- IBEC issued a CNY 11.5 million special-purpose trade loan maturing in one year to a Mongolian bank to finance deliveries and sales of electric vehicles. This transaction facilitates the development of green technologies and increases the sustainability of the economy of Mongolia.
- IBEC continued its support of pharmaceutical sector of the Bank's member country. In the first half of 2024, the Bank issued payment guarantees on behalf of a number of large pharmaceutical distributors for the total amount of about RUB 1.7 billion. IBEC's guarantees ensure uninterrupted supply of medicines and pharmaceutical products from the world's largest manufacturers to pharmacies and medical institutions in the country (including in the fields of oncology, hematology, neurology, cardiology).
- In the first half of 2024, IBEC provided, within an opened credit facility, about RUB 473 million to the largest Russian manufacturer and exporter of modifiers for construction mixes. Funding was provided to purchase goods, materials, work and services, including to manufacture products for export to Asia and Africa.
- At the end of May 2024, IBEC delegation visited Mongolia with a business mission. The Bank's representatives participated in a number of meetings and negotiations with key partners and held a business event for Mongolian companies with the support of the Mongolian Chamber of Commerce. The main subjects for discussion were the Bank's current projects in the country, prospects for further cooperation with corporate clients and financial institutions in Mongolia.
- In May 2024, the Bank's shareholders adopted a new IBEC Strategy for 2024-2026 at the 143rd meeting of the IBEC's Council in Ulan Bator, which ensures a transition to the updated business model of the Bank and is focused on facilitating realization of specific tasks of trade development in the target sectors of the economies of the IBEC member countries. According to the Strategy, South and East Asia are considered the priority regions for the development of the IBEC's activities. Measures to be realized under the new Strategy should create a basis required for IBEC to become a 'first-choice' financial institution with regard to any issues related to the development of international trade of member countries.

2. Operating environment of the Bank1

Economic growth

In the first half of 2024, the global economy has stabilized after several years of negative shocks. Despite tougher financing conditions, ongoing geopolitical tensions and increased uncertainty, global economic activity has turned to gradual strengthening, and recession risks in developed economies (especially in the Eurozone), estimated as significant at the end of 2023, are decreasing.

A favorable impact on the global GDP dynamics in early 2024 accelerated an economic activity in large developing economies, primarily in India, as well as in Brazil, Indonesia, and Mexico. The growth in the Chinese economy also was favorable for the global economic environment but it continues to be constrained by weak consumer demand and current challenges in the real estate sector, despite the government's support measures.

In the reporting period, the economic growth was supported by strengthening positive dynamics in world trade, which actually remained stagnant in 2023. At the same time, lower inflation rates against prior year, especially in terms of core inflation components, became a deterrent.

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[1] According to J.P.Morgan Global Composite PMI, the World Bank Group, OECD, EDB.

(EUR thousand)

2. Operating environment of the Bank (continued)

In the first half of the year, the Russian economy demonstrated growth due to high consumer activity and investment demand, which, among other things, was supported by budgetary incentives. At the same time, constraints on production capacity and labor resources hindered the ability to expand production commensurate with the growth in domestic demand, which led to an increase in inflationary pressure. Credit activity remained strong despite rising market rates.

Mongolia's economy also showed growth in the first half of 2024 on the back of rising mining and manufacturing activity. Growth in the mining sector was driven by higher coal exports, while activity in the non-mining sector increased as a result of expanding domestic demand from households and the public sector.

Global trade

In the first half of 2024, the world trade witnessed a recovery owing to the revival of trade in goods. Better foreign trade environment in the reporting period was due to an increase in global production demand, which led to an increase in purchases of raw materials and components, especially from key Asian exporters (India, China and South Korea). Also, the USA and Eurozone resumed replenishing that facilitated the world trade.

Despite an increase in foreign trade flows in manufacturing and service sectors in the reporting period, the foreign trade trend remains unstable and largely depends on economic activity in the USA and China.

Russia has traditionally been a strategically important trading partner of Mongolia, ranking second after China in the country's trade turnover. Russia exports mineral products, foodstuffs, chemical products, equipment and vehicles to Mongolia. Imports mainly consist of supplies of fluorspar. In the first half of 2024, trade turnover between Russia and Mongolia increased by 21% compared to the same period last year. The signing of a temporary free trade agreement between the EAEU and Mongolia, expected before the end of 2024, may give an additional impetus to the development of foreign trade between Russia and Mongolia.

Financial conditions

In the reporting period, global inflation continued to decline, approaching the targets of central banks both in developed and emerging economies. However, the dynamics of disinflationary processes has slowed down compared to prior year. During the reporting period, core inflation remained persistently high in many countries, as the disinflationary impact of tight monetary policy was partially offset by pro–inflationary factors such as higher wages and prices for services, as well as higher production costs against fragmentation of the global economy.

Global financial conditions have generally improved year-on-year, primarily reflecting a decrease in risk premiums while interest rates remained high. Due to the slowdown in disinflationary processes, the expectations for lower global interest rates in 2024 has moderated, which has a restraining effect on economic activity.

In the Russian market, monetary conditions continued to tighten in 2024 in order to combat inflation growth. Money market rates and OFZ yields rose significantly, reflecting, among other things, market participants' expectations of the Bank of Russia's decisions to raise the key rate and forecasts of its further trajectory.

In Mongolia, inflation in the country entered the target range of the Central Bank (6±2%), which allowed the Bank of Mongolia to switch to monetary policy easing starting from March 2024.

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(EUR thousand)

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

These interim condensed financial statements for the six months ended 30 June 2024 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 2023.

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.

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(EUR thousand)

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

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.

Significant accounting estimates and professional judgments

To the extent that information was available as at 30 June 2024, 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 2023. 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 2023 in *Summary of significant accounting policies*, except for the new standards below that have been applied since 1 January 2024. 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 2024, but they do not have any effect on the interim condensed financial statements of the Bank.

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

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

Amendments to IAS 1, IFRS 16

The amendments include the following:

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

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

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(EUR thousand)

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

The amendments clarify the following:

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

Amendments to IFRS 16 Leases

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

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

Entities should use IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to develop accounting policies aimed at determining the approach to the assessment of lease payments under such transactions.

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Disclosures

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

Transitional provisions in the amendments state that entities do not have to provide the required disclosures in any interim reporting period during the first year in which those amendments apply, however, the amendments may impact the annual financial statements for 2024.

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(EUR thousand)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2024 (unaudited)	***31 December 2023***
Cash on hand	2,296	2,620
Correspondent accounts with banks in IBEC member countries	53,228	16,998
Correspondent accounts with banks in other countries	378	1,948
Total cash and cash equivalents	**55,902**	**21,566**
Allowance for expected credit losses	(7)	(7)
Cash and cash equivalents less allowance for expected credit losses	**55,895**	**21,559**

As at 30 June 2024, balances with three major groups of counterparties amounted to EUR 38,301 thousand, or 71.46% of total cash and cash equivalents (other than cash on hand) (31 December 2023: balances with three major groups of counterparties amounted to EUR 17,003 thousand, or 89.78% of total cash and cash equivalents other than cash on hand).

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):

	30 June 2024 (unaudited)	***31 December 2023***
Due from central banks	***5,888***	***5,783***
Correspondent accounts with banks		
Internationally rated		
from AAA to A-	*5*	*6*
from BBB+ to BB-	*472*	*1,932*
from B+ to B-	*11,803*	*4,683*
Internally rated only		
from BBB+ to BB-	*11,046*	*794*
from B+ to B-	*8,142*	*5,742*
from CCC+ to C	*16,246*	*2*
unrated	*4*	*4*
Total correspondent accounts with banks	**53,606**	**18,946**
Allowance for expected credit losses	(7)	(7)
Cash and cash equivalents (other than cash on hand) less allowance for expected credit losses	**53,599**	**18,939**

For the credit quality and interest rate risk of cash and cash equivalents, please refer to 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 2024 (unaudited)	***31 December 2023***
Held by the Bank		
Internally rated only		
Eurobonds of IBEC member countries	857	831
from BBB+ to BB-	*857*	*831*
Corporate bonds	792	815
from BBB+ to BB-	*792*	*815*
	1,649	**1,646**
Pledged under repurchase agreements		
Internally rated only		
Eurobonds of IBEC member countries	2,999	2,909
from BBB+ to BB-	*2,999*	*2,909*
	2,999	**2,909**
Securities at fair value through profit or loss	**4,648**	**4,555**

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 2024 (unaudited)	*31 December 2023*
Held by the Bank		
Internationally rated		
Corporate Eurobonds	7,055	12,555
from BBB+ to BB-	*7,055*	*5,666*
from B+ to B-	–	*6,889*
Eurobonds of other countries	6,993	7,132
from BBB+ to BB-	*6,993*	*7,132*
Eurobonds of international financial institutions	–	1,529
from BBB+ to BB-	–	*1,529*
Internally rated only		
Corporate bonds	113,895	58,029
from BBB+ to BB-	*87,296*	*43,037*
from B+ to B-	*26,599*	*14,992*
Eurobonds of IBEC member countries	12,422	515
from BBB+ to BB-	*12,422*	*515*
Corporate Eurobonds	12,246	18,512
from BBB+ to BB-	*12,246*	*18,512*
Bonds of banks	8,275	7,118
from BBB+ to BB-	*8,275*	–
from B+ to B-	–	*7,118*
Bonds of IBEC member countries	4,202	794
from BBB+ to BB-	*4,202*	*794*
Eurobonds of international financial institutions	1,651	–
from BBB+ to BB-	*1,651*	–
Eurobonds of banks	–	3,787
from BBB+ to BB-	–	*3,787*
	166,739	**109,971**
Pledged under repurchase agreements		
Internally rated only		
Eurobonds of IBEC member countries	34,124	46,509
from BBB+ to BB-	*34,124*	*46,509*
Bonds of IBEC member countries	1,088	4,277
from BBB+ to BB-	*1,088*	*4,277*
Corporate bonds	–	11,575
from BBB+ to BB-	–	*11,575*
	35,212	**62,361**
Securities at fair value through other comprehensive income	**201,951**	**172,332**

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(EUR thousand)

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

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

Securities at fair value through other comprehensive income	***Stage 1***	***Stage 2***	***Total***
Gross carrying amount at 1 January 2024	**143,611**	**28,721**	**172,332**
New originated or purchased assets	104,910	521	**105,431**
Transfer to Stage 2	(2,675)	2,675	**–**
Change in fair value	(6,506)	(2,386)	**(8,892)**
Assets derecognized or redeemed (excluding write-offs)	(54,658)	(18,408)	**(73,066)**
Changes in currency exchange rates	5,779	367	**6,146**
Gross carrying amount at 30 June 2024 (unaudited)	**190,461**	**11,490**	**201,951**
Allowance for expected credit losses at 1 January 2024	**866**	**8,564**	**9,430**
New originated or purchased assets	3,717	–	**3,717**
Transfer to Stage 2	(91)	91	**–**
Assets derecognized or redeemed (excluding write-offs)	(825)	(5,837)	**(6,662)**
Changes in models and inputs used for ECL calculations	(2,636)	(587)	**(3,223)**
Changes in currency exchange rates	115	94	**209**
Allowance for expected credit losses at 30 June 2024 (unaudited)	**1,146**	**2,325**	**3,471**
Gross carrying amount at 1 January 2023	**32,538**	**35,536**	**68,074**
New originated or purchased assets	42,360	1,215	**43,575**
Transfer to Stage 1	1,679	(1,679)	**–**
Change in fair value	2,252	5,453	**7,705**
Assets derecognized or redeemed (excluding write-offs)	(10,586)	(3,400)	**(13,986)**
Changes in currency exchange rates	(1,290)	(2,693)	**(3,983)**
Gross carrying amount at 30 June 2023 (unaudited)	**66,953**	**34,432**	**101,385**
Allowance for expected credit losses at 1 January 2023	**1,956**	**6,977**	**8,933**
New originated or purchased assets	9,735	–	**9,735**
Assets derecognized or redeemed (excluding write-offs)	(1,289)	(472)	**(1,761)**
Changes in models and inputs used for ECL calculations	1,229	(131)	**1,098**
Changes in currency exchange rates	(247)	(580)	**(827)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**11,384**	**5,794**	**17,178**

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(EUR thousand)

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

Corporate bonds denominated in Russian rubles, US dollars, euros and Chinese yuans (31 December 2023: Russian rubles, US dollars, euros and Chinese yuans) were issued by financial and industrial entities of IBEC member countries for circulation on internal markets of the issuing countries and for trade on exchange markets. Corporate bonds mature from July 2024 to March 2034 (31 December 2023: from August 2024 to May 2033), and coupon rates range from 1.5% p.a. to 18.3% p.a. (31 December 2023: from 0% to 16.0% p.a.).

Eurobonds of IBEC member countries are issued in euros (31 December 2023: euros) for circulation on markets external to the issuing country and for trade on over-the-counter markets. Eurobonds mature from November 2027 to May 2036 (31 December 2023: from November 2027 to May 2036), and coupon rates range from 1.125% to 2.65% p.a. (31 December 2023: from 1.125% to 2.625% p.a.).

Corporate Eurobonds are debt securities denominated in euros, US dollars and Russian rubles (31 December 2023: euros, US dollars and Russian rubles) and issued by financial and industrial entities of the IBEC member countries and other countries for circulation on markets external to the issuer and for trade on exchange markets. Corporate Eurobonds mature from February 2026 to January 2030 (31 December 2023: from July 2024 to January 2030), and coupon rates range from 1.5% to 15.5% p.a. (31 December 2023: from 1.5% to 6.75% p.a.).

Bonds of banks are debt securities denominated in euros, US dollars and Russian rubles (31 December 2023: Russian rubles) for circulation on internal markets of the issuer. Bonds of banks mature from January 2026 to June 2027 (31 December 2023: December 2026), the coupon rates range from 3.1% to 18.2% p.a. (31 December 2023: 18.5% p.a.).

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

Bonds of IBEC member countries are issued in Russian rubles (31 December 2023: Russian rubles) for circulation on internal and exchange markets of the issuing countries and for trade on over the-counter markets, mature from September 2031 to March 2041 (31 December 2023: from September 2031 to March 2039) and coupon rates range from 7.1% to 11.25% p.a. (31 December 2023: from 7.7% to 11.25% p.a.).

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

As at 30 June 2024, the Bank did not have Eurobonds of other banks. At 31 December 2023, 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 September 2026, and coupon rates range from 3.1% to 3.875% p.a.

Securities at fair value through other comprehensive income comprise securities pledged as collateral under repurchase agreements with a fair value of EUR 35,212 thousand as at 30 June 2024 (31 December 2023: EUR 62,361 thousand). According to the contract, the counterparty shall return transferred securities when the agreement expires (Note 14).

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(EUR thousand)

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

Securities at fair value through other comprehensive income of EUR 8,815 thousand (30 June 2023: EUR 28,721 thousand) were restricted due to sanctions imposed on depositories that hold IBEC's securities. The Bank takes all necessary steps to eliminate restrictions on the asset use subject to potential scenarios for each security separately. Given the above, as at 30 June 2024, the Bank made an allowance in the amount of EUR 2,234 thousand (31 December 2023: EUR 8,564 thousand).

During the six months ended 30 June 2024, certain securities measured at fair value through other comprehensive income with a nominal value equivalent to EUR 15,653 thousand were transferred by issuers from one issue to another, as a result, restrictions on the use of these securities were lifted.

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

8. Securities at amortized cost

Securities at amortized cost comprise:

	30 June 2024 (unaudited)	***31 December 2023***
Held by the Bank		
Internationally rated		
Corporate Eurobonds	3,865	8,799
from BBB+ to BB-	*3,865*	*5,054*
from B+ to B-	–	*3,745*
Internally rated only		
Corporate bonds	19,540	18,375
from BBB+ to BB-	*19,540*	*18,375*
Corporate Eurobonds	5,122	9,713
from BBB+ to BB-	*5,122*	*9,713*
Digital rights	4,765	4,069
from CCC+ to C	*4,765*	*4,069*
	33,292	**40,956**
Total securities at amortized cost	**33,292**	**40,956**
Allowance for expected credit losses	(2,574)	(3,975)
Securities at amortized cost	**30,718**	**36,981**

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

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(EUR thousand)

8. Securities at amortized cost (continued)

Digital rights are rights to collect an amount equal to the nominal value and interest income from the issuer at their maturity issued in Russian rubles with a maturity in September 2024 and a coupon rate of 17.5% p.a.

Securities at amortized cost in the amount equivalent to EUR 8,877 thousand as at 30 June 2024 (31 December 2023: EUR 13,348 thousand) were restricted for use due to sanctions imposed on depositories that hold IBEC's securities. The Bank takes all necessary steps to eliminate restrictions on the asset use subject to potential scenarios for each security separately. Given the above, as at 30 June 2024, the Bank made an allowance in the amount of EUR 2,339 thousand (31 December 2023: EUR 3,470 thousand).

During the six months ended 30 June 2024, the Bank sold securities at amortized cost with a nominal value of EUR 5,000 thousand (30 June 2023: EUR 5,000 thousand). A negative result in the amount of EUR 638 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 2023: EUR 250 thousand).

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

Securities at amortized cost	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying amount at 1 January 2024	**27,498**	**13,348**	**110**	**40,956**
New originated or purchased assets	1,562	380	–	**1,942**
Assets derecognized or redeemed (excluding write-offs)	(6,183)	(5,115)	–	**(11,298)**
Changes in currency exchange rates	1,428	264	–	**1,692**
Gross carrying amount at 30 June 2024 (unaudited)	**24,305**	**8,877**	**110**	**33,292**
Allowance for expected credit losses at 1 January 2024	**395**	**3,470**	**110**	**3,975**
New originated or purchased assets	–	–	–	**–**
Assets derecognized or redeemed (excluding write-offs)	(44)	(1,194)	–	**(1,238)**
Changes in models and inputs used for ECL calculations	(240)	(5)	–	**(245)**
Changes in currency exchange rates	14	68	–	**82**
Allowance for expected credit losses at 30 June 2024 (unaudited)	**125**	**2,339**	**110**	**2,574**
Gross carrying amount at 1 January 2023	**25,416**	**22,296**	**–**	**47,712**
New originated or purchased assets	2,868	298	–	**3,166**
Assets derecognized or redeemed (excluding write-offs)	(5,589)	(12,770)	–	**(18,359)**
Changes in currency exchange rates	(445)	(119)	–	**(564)**
Gross carrying amount at 30 June 2023 (unaudited)	**22,250**	**9,705**	**–**	**31,955**
Allowance for expected credit losses at 1 January 2023	**1,117**	**1,491**	**–**	**2,608**
New originated or purchased assets	507	–	–	**507**
Assets derecognized or redeemed (excluding write-offs)	(33)	(16)	–	**(49)**
Changes in models and inputs used for ECL calculations	(121)	(65)	–	**(186)**
Changes in currency exchange rates	(53)	(11)	–	**(64)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**1,417**	**1,399**	**–**	**2,816**

(EUR thousand)

8. Securities at amortized cost (continued)

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

	30 June 2024 (unaudited)	***31 December 2023***
Credit investment portfolio of securities	27,678	33,979
Securities purchased on capital markets	3,040	3,002
Securities at amortized cost	**30,718**	**36,981**

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 2024 (unaudited)	***31 December 2023***
Loans issued to banks under trade financing	37,826	32,532
- to banks in IBEC member countries	*26,008*	*29,505*
- to banks in other countries	*11,818*	*3,027*
Term deposits with banks in other countries	5,418	16,150
Term deposits with banks in IBEC member countries	433	45,980
Restricted cash	2,939	2,918
Total loans and deposits to banks	**46,616**	**97,580**
Allowance for expected credit losses	(3,226)	(3,141)
Loans and deposits to banks	**43,390**	**94,439**

Restricted cash represents cash balances with the Bank's depository partner, which are restricted for use by foreign depositories. As at 30 June 2024, the Bank made an allowance for restricted cash amounting to EUR 2,939 thousand (31 December 2023: EUR 2,918 thousand).

As at 30 June 2024, balances with three major counterparties amounted to EUR 37,541 thousand, or 86.52% of total loans and deposits to banks (31 December 2023: EUR 61,706 thousand, or 65.34% 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 2024 (unaudited)***	***31 December 2023***
Internationally rated		
from AAA to A-	*1,709*	*1,690*
from BBB+ to BB-	*17,236*	*19,177*
from B+ to B-	*26,008*	*44,545*
Internally rated only		
from BBB+ to BB-	*1,663*	*1,228*
from B+ to B-	–	*23,877*
from CCC+ to C	–	*7,063*
Total	**46,616**	**97,580**
Allowance for expected credit losses	(3,226)	(3,141)
Carrying amount	**43,390**	**94,439**

(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 2024	**94,662**	**–**	**2,918**	**97,580**
New originated or purchased assets	379,724	–	2	**379,726**
Assets derecognized or redeemed (excluding write-offs)	(432,490)	–	(11)	**(432,501)**
Changes in currency exchange rates	1,781	–	30	**1,811**
Gross carrying amount at 30 June 2024 (unaudited)	**43,677**	**–**	**2,939**	**46,616**
Allowance for expected credit losses at 1 January 2024	**223**	**–**	**2,918**	**3,141**
New originated or purchased assets	382	–	2	**384**
Assets derecognized or redeemed (excluding write-offs)	(232)	**–**	(11)	**(243)**
Changes in models and inputs used for ECL calculations	(90)	–	–	**(90)**
Changes in currency exchange rates	4	–	30	**34**
Allowance for expected credit losses at 30 June 2024 (unaudited)	**287**	**–**	**2,939**	**3,226**
Gross carrying amount at 1 January 2023	**62,178**	**2,006**	**9,531**	**73,715**
New originated or purchased assets	372,360	10,124	–	**382,484**
Assets derecognized or redeemed (excluding write-offs)	(371,866)	(7,340)	(9,294)	**(388,500)**
Changes in currency exchange rates	(1,704)	(1,170)	(237)	**(3,111)**
Gross carrying amount at 30 June 2023 (unaudited)	**60,968**	**3,620**	**–**	**64,588**
Allowance for expected credit losses at 1 January 2023	**344**	**578**	**9,531**	**10,453**
New originated or purchased assets	1,777	3	–	**1,780**
Assets derecognized or redeemed (excluding write-offs)	(1,764)	–	(9,294)	**(11,058)**
Changes in models and inputs used for ECL calculations	39	8	–	**47**
Changes in currency exchange rates	(12)	(23)	(237)	**(272)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**384**	**566**	**–**	**950**

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 2024 (unaudited)	*31 December 2023*
Loans issued to legal entities from IBEC member countries	65,820	62,260
Loans for foreign trade purposes issued to legal entities from IBEC member countries	36,349	37,405
Loans issued to legal entities from other countries	12,714	13,260
Syndicated loans issued to legal entities from other countries	12,185	12,463
Loans for foreign trade purposes issued to legal entities from other countries	6,185	5,562
Total loans to corporate customers	**133,253**	**130,950**
Allowance for expected credit losses	(4,528)	(4,001)
Loans to corporate customers less allowance for expected credit losses	**128,725**	**126,949**

Other countries are represented by countries that carry out their operations in transactions with the Bank's member countries and the countries withdrawn from the Agreement on the Organization and Activities of the IBEC in 2023.

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

	30 June 2024 (unaudited)		*31 December 2023*	
	Amount	*%*	*Amount*	*%*
Transport	42,386	32.92	44,474	35.03
Pharmaceuticals	24,620	19.13	21,653	17.06
Chemical industry	24,064	18.70	22,335	17.59
Logistics	12,732	9.89	13,865	10.92
Gas industry	12,155	9.44	12,433	9.80
Wholesale trade	5,650	4.39	5,029	3.96
Finance	5,072	3.94	4,518	3.56
Investment activities (leases)	1,865	1.45	2,513	1.98
Factoring	181	0.14	–	–
Construction	–	–	129	0.10
Total loans to corporate customers	**128,725**	**100**	**126,949**	**100**

As at 30 June 2024, balances with three major counterparties of the Bank amounted to EUR 84,128 thousand, or 65.35% of the Bank's total loan portfolio less allowance for expected credit losses (31 December 2023: EUR 81,121 thousand, or 63.90% of the Bank's total loan portfolio less allowance for expected credit losses).

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(EUR thousand)

10. Loans to corporate customers (continued)

Loans are issued to customers operating in the following countries:

	30 June 2024 (unaudited)	*31 December 2023*
Russian Federation	50,730	46,501
Mongolia	35,800	37,133
Republic of Bulgaria	17,228	16,951
Socialist Republic of Vietnam	12,376	13,865
Republic of Poland	6,941	7,341
UAE	5,650	5,029
Slovak Republic	–	129
Total	**128,725**	**126,949**

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 2024 (unaudited)*	*31 December 2023*
Internally rated only		
from BBB+ to BB-	*47,030*	*39,907*
from B+ to B-	*38,464*	*48,013*
from CCC+ to C	*47,759*	*43,030*
Total	**133,253**	**130,950**
Allowance for expected credit losses	(4,528)	(4,001)
Carrying amount	**128,725**	**126,949**

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

Loans to corporate customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2024	**117,168**	**13,261**	**521**	**130,950**
New originated or purchased assets	12,440	392	–	**12,832**
Transfer to Stage 1	5,074	(5,074)	–	**–**
Transfer to Stage 2	(14,392)	14,392	–	**–**
Transfer to Stage 3	–	(47)	47	**–**
Assets derecognized or redeemed (excluding write-offs)	(13,486)	(939)	–	**(14,425)**
Changes in currency exchange rates	3,896	–	–	**3,896**
Gross carrying amount at 30 June 2024 (unaudited)	**110,700**	**21,985**	**568**	**133,253**
Allowance for expected credit losses at 1 January 2024	**2,207**	**1,273**	**521**	**4,001**
New originated or purchased assets	1,419	19	–	**1,438**
Transfer to Stage 1	2	(2)	–	**–**
Transfer to Stage 2	(2,016)	2,016	–	**–**
Transfer to Stage 3	–	(47)	47	**–**
Assets derecognized or redeemed (excluding write-offs)	(553)	(447)	–	**(1,000)**
Changes in models and inputs used for ECL calculations	164	(144)	–	**20**
Changes in currency exchange rates	69	–	–	**69**
Allowance for expected credit losses at 30 June 2024 (unaudited)	**1,292**	**2,668**	**568**	**4,528**

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

Collateral and other credit risk enhancements

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

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

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

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

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

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

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(EUR thousand)

10. Loans to corporate customers (continued)

Collateral and other credit risk enhancements (continued)

Collateral obtained for loans to corporate customers comprises:

	30 June 2024 (unaudited)	*31 December 2023*
Loans secured by guarantees and sureties of third parties	91,155	87,146
Loans secured by pledge of movable property and property rights	37,570	39,803
Total loans to corporate customers	**128,725**	**126,949**

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

During the six months ended 30 June 2024, the Bank changed conditions on issue of loans to one borrower (31 December 2023: four borrowers) due to the implications of 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.

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 2024 (unaudited)			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	9,161	205	92
Cross-currency interest rate contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	7,574	176	203
Total derivative assets/liabilities		**381**	**295**
31 December 2023			
Foreign exchange contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	35,167	–	501
Cross-currency interest rate contracts			
Derivative financial instruments (contracts with residents of IBEC member countries)	3,528	–	24
Cross-currency interest rate contracts used as hedging instruments			
Derivative financial instruments (contracts with residents of IBEC member countries) used as hedging instruments	25,665	–	5,730
Total derivative assets/liabilities		**–**	**6,255**

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(EUR thousand)

11. Derivative financial instruments (continued)

The fair values of receivables or payables on 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 2024 (unaudited)		***31 December 2023***	
	Contracts with positive fair value	***Contracts with negative fair value***	***Contracts with positive fair value***	***Contracts with negative fair value***
Foreign exchange swaps: fair value at the end of the reporting period				
- USD payable on settlement (-)	–	4,660	–	28,271
- RUB payable on settlement (-)	4,455	–	–	6,797
- RUB receivable on settlement (+)	–	4,568	–	28,209
- USD receivable on settlement (+)	4,660	–	–	–
- Receivable in other currencies on settlement (+)	–	–	–	6,358
Cross-currency interest rate swaps: fair value at the end of the reporting period				
- RUB payable on settlement (-)	3,787	3,787	–	3,528
- RUB receivable on settlement (+)	3,963	3,584	–	3,504
Cross-currency interest rate swaps used as hedging instruments: fair value at the end of the reporting period				
- EUR payable on settlement (-)	–	–	–	25,195
- RUB receivable on settlement (+)	–	–	–	19,465
Net fair value of interest rate, foreign exchange and cross-currency interest rate swaps	**381**	**(295)**	**–**	**(6,255)**

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.

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(EUR thousand)

11. Derivative financial instruments (continued)

Cash flow hedges

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

As at 30 June 2024, the Bank had no financial liabilities designated as hedged items. As at 31 December 2023, the Bank designated the following financial liabilities as hedged items in cash flow hedge relationships:

	Cash flow hedge reserve	
Cash flow hedges	***Continuing hedges***	***Discontinued hedges***
31 December 2023		
RUB-denominated bonds with a fixed interest rate	312	–

The 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.

Net gains (losses) from operations with derivative financial instruments and foreign currency recorded in the interim statement of profit or loss and other comprehensive income include, but are not limited to, derivative trading transactions in the amount of EUR 719 thousand (30 June 2023: EUR 3,561 thousand) and trading operations with currency in the amount of EUR 890 thousand (30 June 2023: EUR 412 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 the derivatives the Bank uses as hedging instruments and their changes in fair value used for measuring hedge effectiveness separately showing the effective and ineffective portions:

					Changes in the fair values of hedging instruments used for measuring hedge ineffectiveness					
		Carrying amount			*Effective portion*		*Hedge ineffectiveness*	*Reclassified to profit or loss*		
Cash flow hedges	***Notional principal***	***Assets***	***Liabilities***	***Total***	***Recognized in other comprehensive income (cash flow hedge reserve net of basis currency spread)***	***Recognized in other comprehensive income (basis currency spread)***	***Recognized in the interim statement of profit or loss within net gains (losses) from operations with derivative financial instruments and foreign currency***	***Interest income (expense) calculated using the EIR method***	***Net gains (losses) from operations with derivative financial instruments and foreign currency (revaluation)***	***Net gains (losses) from operations with derivative financial instruments and foreign currency (basis currency spread)***
30 June 2024 (unaudited)										
Cross-currency interest rate swaps	–	–	–	**275**	468	(193)	–	388	247	(48)
31 December 2023										
Cross-currency interest rate swaps	25,665	–	5,730	**(4,364)**	(5,335)	1,371	(400)	987	(6,295)	(116)

The cumulative amount of the change in fair value of the hedged item amounted to EUR 48,604 thousand as at 30 June 2024 (31 December 2023: EUR (48,137) thousand). The cumulative amount of the change in the fair value of the hedging instrument, excluding basis currency spread, from the moment the hedge began, amounted to EUR (4,515) thousand as at 30 June 2024 (31 December 2023: EUR (4,983) thousand). During the six months ended 30 June 2024 and 30 June 2023, 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.

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(EUR thousand)

11. Derivative financial instruments (continued)

Cash flow hedges (continued)

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

Cash flow hedges	***1 to 6 months***	***Total***
30 June 2024 (unaudited)		
Cross-currency interest rate swaps		
Notional principal	–	**–**
Average fixed interest rate, EUR	–	**–**
Average fixed interest rate, RUB	–	**–**
Average EUR/RUB exchange rate	–	**–**
31 December 2023		
Cross-currency interest rate swaps		
Notional principal	25,665	**25,665**
Average fixed interest rate, EUR	1.41%	**1.41%**
Average fixed interest rate, RUB	6.2%	**6.2%**
Average EUR/RUB exchange rate	0.0101	**0.0101**

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

Cash flow hedges	***Cash flow hedge reserve net of basis currency spread***	***Basis currency spread***
Balance at 1 January 2024	**167**	**145**
Effective portion of changes in the fair value of cross-currency interest rate swaps	468	(193)
Net amounts reclassified to profit or loss:		
- *Interest expense*	*(388)*	–
- *Net gains (losses) from operations with derivative financial instruments and foreign currency*	*(247)*	*48*
Balance at 30 June 2024 (unaudited)	**–**	**–**
Balance at 1 January 2023	**194**	**(1,342)**
Effective portion of changes in the fair value of cross-currency interest rate swaps	(4,170)	677
Net amounts reclassified to profit or loss		
- *Interest expense*	*(549)*	–
- *Net gains (losses) from operations with derivative financial instruments and foreign currency*	*5,445*	*58*
Balance at 30 June 2023 (unaudited)	**920**	**(607)**

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(EUR thousand)

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

Movements in property, plant and equipment for the six months ended 30 June 2024 were as follows:

30 June 2024 (unaudited)	*Note*	*Building*	*Office equipment and computer hardware*	*Furniture*	*Transport*	*Intangible assets and investments in intangible assets*	*Total*
Cost							
Balance at 1 January 2024		**76,050**	**1,682**	**405**	**510**	**2,884**	**81,531**
Additions		6	15	–	–	73	**94**
Disposals		–	(5)	(13)	–	–	**(18)**
Balance at 30 June 2024 (unaudited)		**76,056**	**1,692**	**392**	**510**	**2,957**	**81,607**
Accumulated depreciation							
Balance at 1 January 2024		**26,947**	**1,390**	**294**	**510**	**141**	**29,282**
Depreciation charges for the reporting period	21	522	87	2	–	80	**691**
Disposals		–	(5)	(6)	–	–	**(11)**
Balance at 30 June 2024 (unaudited)		**27,469**	**1,472**	**290**	**510**	**221**	**29,962**
Net book value							
Net book value at 1 January 2024		**49,103**	**292**	**111**	**–**	**2,743**	**52,249**
Net book value at 30 June 2024 (unaudited)		**48,587**	**220**	**102**	**–**	**2,736**	**51,645**

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

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

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(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 2024 (unaudited)	*31 December 2023*
Cost	**48,731**	**48,725**
Accumulated depreciation	(17,653)	(17,298)
Net book value	**31,078**	**31,427**

Revaluation of assets

As at 31 December 2022, an independent assessment of the fair value of buildings was performed by an independent firm of professional appraisers with required qualifications and relevant professional experience in the valuation of property of a similar category and in a similar location. In December 2023, the Bank's management analyzed the fair value of buildings and concluded that no significant changes in the real estate market and building condition occurred in 2023. Therefore, revaluation of the fair value of buildings with engagement of independent appraiser is not required.

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

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

The Bank expects to receive the following operating lease payments after 30 June 2023: within 30 days: EUR 161 thousand; 31 days to 180 days: EUR 759 thousand; 181 days to one year: EUR 390 thousand.

13. Other assets and liabilities

Other assets comprise:

	Note	*30 June 2024 (unaudited)*	*31 December 2023*
Financial assets			
Settlements on securities		25,672	20,576
Accounts receivable under financial and business operations		986	661
Consumer lending		93	113
Bank fees receivable from customers		2	2
Margin call		–	7,094
Allowance for expected credit losses from financial assets	22	(21,900)	(18,723)
Total financial assets less allowance for expected credit losses		**4,853**	**9,723**
Non-financial assets			
Inventories		59	59
Total non-financial assets		**59**	**59**
Total other assets		**4,912**	**9,782**

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(EUR thousand)

13. Other assets and liabilities (continued)

As at 30 June 2024, IBEC did not receive any cash from redemption of a number of securities and paid coupon income totaling EUR 24,393 thousand due to, among other reasons, the sanctions imposed on depositories that hold IBEC's securities (31 December 2023: EUR 18,596 thousand). As at 30 June 2024, the Bank made a provision for these securities in the amount of EUR 21,763 thousand (31 December 2023: EUR 18,596 thousand).

Other liabilities comprise:

	Note	*30 June 2024 (unaudited)*	*31 December 2023*
Financial liabilities			
Contributions to social security funds		440	204
Settlements under financial and business operations		396	6,458
Advances received		89	2,887
Total financial liabilities		**925**	**9,549**
Non-financial liabilities			
Provision for unused vacations	23	435	379
Allowance for expected credit losses from credit-related commitments	17, 22	359	766
Total non-financial liabilities		**794**	**1,145**
Total other liabilities		**1,719**	**10,694**

14. Due to financial institutions

Amounts due to financial institutions comprise:

	30 June 2024 (unaudited)	*31 December 2023*
Repurchase agreements	37,858	61,613
Long-term related financing from banks in IBEC member countries	34,483	36,262
Deposits from banks in IBEC member countries	3,254	–
Correspondent accounts of international financial institutions	545	590
Correspondent accounts of banks in IBEC member countries	533	628
Correspondent accounts of banks in other countries	12	12
Due to financial institutions	**76,685**	**99,105**

As at 30 June 2024, balances due to three major counterparties amounted to EUR 74,308 thousand, or 96.90% of the total amount due to financial institutions (31 December 2023: EUR 97,875 thousand due to three major counterparties, or 98.76% of the total amount due to financial institutions).

The Bank entered into repurchase agreements with financial institutions in IBEC member countries and other countries with encumbrances on securities with a fair value of EUR 38,211 thousand as at 30 June 2024 (31 December 2023: EUR 65,270 thousand) (Notes 6, 7).

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(EUR thousand)

14. Due to financial 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 2024 (unaudited)*	*31 December 2023*
Carrying amount of transferred assets – securities at fair value through profit or loss	6	2,999	2,909
Carrying amount of transferred assets – securities at fair value through other comprehensive income	7	35,212	62,361
Carrying amount of associated liabilities – due to financial institutions		(37,858)	(61,613)

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

15. Due to customers

Amounts due to customers comprise:

	30 June 2024 (unaudited)	*31 December 2023*
Deposits of international organizations	34,863	–
Deposits of organizations in IBEC member countries	9,135	9,074
Amounts due to the Fund	7,296	7,238
Current accounts of organizations in IBEC member countries	6,614	3,929
Current accounts of organizations in other countries	594	333
Deposits of organizations in other countries	–	23
Other current accounts	1,984	1,984
Due to customers	**60,486**	**22,581**

As at 30 June 2024, balances due to three major customers of the Bank amounted to EUR 50,527 thousand, or 83.53% of total amounts due to customers (31 December 2023: EUR 19,167 thousand, or 84.88% of total amounts due to customers).

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

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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 2024 (unaudited)		***31 December 2023***	
	Amount	***%***	***Amount***	***%***
Insurance	40,101	78.3	5,040	37.7
Construction	8,369	16.3	6,890	51.6
Finance	654	1.3	6	0.0
Pharmaceuticals	466	0.9	134	1.0
Trade	448	0.9	194	1.5
Chemical industry	272	0.5	4	0.0
Manufacturing	212	0.4	225	1.7
Transport	127	0.3	225	1.7
Power industry	101	0.2	103	0.8
Investment activities (leases)	79	0.2	166	1.3
Metallurgy	58	0.1	73	0.5
Advertising and PR	39	0.1	4	0.0
Factoring	14	0.0	–	–
Investment activities	7	0.0	–	–
Research	4	0.0	41	0.3
Mining	–	–	2	0.0
Other	255	0.5	252	1.9
Total due to customers	**51,206**	**100**	**13,359**	**100**

16. Debt securities issued

Debt securities issued comprise:

	30 June 2024 (unaudited)	***31 December 2023***
RUB-denominated bonds	160,692	147,073
Debt securities issued	**160,692**	**147,073**

On 18 June 2024, IBEC placed bonds in the amount of RUB 5 billion (EUR 58,240 thousand at the currency exchange rate as at the date of issue) with maturity on 6 June 2034 and offer date in June 2026. The coupon rate is the total income earned per each day of the coupon period based on the Bank of Russia’s key rate plus spread of 2.1% p.a., payable on a quarterly basis. As at 30 June 2024, the average coupon rate on the bonds of this issue was 18.1% p.a. No hedging transactions were entered into for this issue considering the Bank’s OCP structure and planned pipeline of a new asset portfolio (Note 11).

On 18 December 2023, IBEC placed bonds in the amount of RUB 5.5 billion (EUR 55,886 thousand at the currency exchange rate as at the date of issue) maturing on 14 December 2026. The coupon rate is the total income earned per each day of the coupon period based on the Bank of Russia’s key rate plus spread of 2.5% p.a., payable on a semi-annual basis. As at 30 June 2024, the average coupon rate on the bonds of this issue was 18.5% p.a. No hedging transactions were entered into for this issue considering the Bank’s OCP structure and planned pipeline of a new asset portfolio (Note 11).

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(EUR thousand)

16. Debt securities issued (continued)

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

On 15 June 2020, IBEC placed bonds in the amount of RUB 5 billion (EUR 63,675 thousand at the currency exchange rate as at the date of issue) with maturity on 3 June 2030 and offer date in June 2024. The coupon rate on the bonds was set at 6.20% p.a. payable on a semi-annual basis. As a result of this offer, the Bank bought back bonds in the amount of RUB 4,769 billion. Bonds in the amount of RUB 0,231 billion that are not required to be bought as at the date are still outstanding. The coupon rate was set at 16.40% p.a. with offer date in June 2025. No hedging transactions were entered into for this issue after the offer considering the Bank's OCP structure and planned pipeline of a new asset portfolio (Note 11).

On 9 October 2019, IBEC placed bonds in the amount of RUB 7 billion (EUR 98,266 thousand at the currency exchange rate effective as at the date of issue) with maturity on 26 September 2029 and offer date in October 2022; the coupon rate on the bonds was set at 7.9% p.a. payable on a semi-annual basis. In October 2022, the Bank bought back its bonds and re-issued them in November 2022, which resulted in the partial secondary placement of bonds. The coupon rate on the bonds was set at 10.25% p.a. with the offer date in October 2023. In October 2023, the Bank bought back its bonds and re-issued them which resulted in the partial secondary placement of bonds. The coupon rate on the bonds was set at 13.25% p.a. with the offer date in October 2025. As at 30 June 2024, the volume of publicly traded bonds of this issue amounted to RUB 2.340 billion (31 December 2023: RUB 2.340 billion). No hedging transactions were entered into for this issue after the offer considering the Bank's OCP structure and planned pipeline of a new asset portfolio (Note 11).

17. Credit-related commitments

Credit-related commitments comprise the following:

	30 June 2024 (unaudited)	*31 December 2023*
Guarantees issued	70,527	60,885
Loan commitments	1,792	–
Total credit-related commitments	**72,319**	**60,885**
Allowance for expected credit losses (Notes 13, 22)	(359)	(766)
Credit-related commitments	**71,960**	**60,119**

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

	30 June 2024 (unaudited)	*31 December 2023*
Russian Federation	69,080	58,790
Czech Republic	1,088	1,000
Mongolia	1,792	–
Slovak Republic	–	197
Republic of Poland	–	132
Total	**71,960**	**60,119**

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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 2024	**60,885**	**–**	**60,885**
New exposures	33,619	–	**33,619**
Exposures expired or amounts paid	(26,635)	–	**(26,635)**
Changes in currency exchange rates	4,450	–	**4,450**
Amount of commitments at 30 June 2024 (unaudited)	**72,319**	**–**	**72,319**
Allowance for expected credit losses at 1 January 2024	**766**	**–**	**766**
New exposures	571	–	**571**
Exposures expired or amounts paid	(147)	–	**(147)**
Changes to models and inputs used for ECL calculations	(879)	–	**(879)**
Changes in currency exchange rates	48	–	**48**
Allowance for expected credit losses at 30 June 2024 (unaudited)	**359**	**–**	**359**
Amount of commitments at 1 January 2023	**33,751**	**18,433**	**52,184**
New exposures	12,896	924	**13,820**
Exposures expired or amounts paid	(11,990)	(13,186)	**(25,176)**
Changes in currency exchange rates	(5,632)	(1,439)	**(7,071)**
Amount of commitments at 30 June 2023 (unaudited)	**29,025**	**4,732**	**33,757**
Allowance for expected credit losses at 1 January 2023	**4,896**	**2,187**	**7,083**
New exposures	1,876	–	**1,876**
Exposures expired or amounts paid	(2)	(1,042)	**(1,044)**
Changes to models and inputs used for ECL calculations	(988)	(429)	**(1,417)**
Changes in currency exchange rates	(1,171)	(220)	**(1,391)**
Allowance for expected credit losses at 30 June 2023 (unaudited)	**4,611**	**496**	**5,107**

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

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

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

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

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(EUR thousand)

18. Interest income and interest expense

	For the six months ended 30 June (unaudited)	
	2024	**2023**
Interest income		
Interest income calculated using the EIR method		
Securities at fair value through other comprehensive income	6,789	1,891
Loans to corporate customers	6,596	3,837
Loans and deposits to banks	5,274	1,808
- Term deposits with banks	*3,815*	*1,537*
- Loans issued to banks under trade financing	*1,319*	*271*
- Repurchase agreements	*140*	*–*
Securities at amortized cost	1,942	837
Other	553	61
Other interest income		
Securities at fair value through profit or loss	34	64
Total interest income	**21,188**	**8,498**
Interest expense		
Interest expense calculated using the EIR method		
Debt securities issued	(9,271)	(3,164)
Due to financial institutions	(3,989)	(213)
Due to customers	(3,034)	(195)
Other	(9)	–
Total interest expense	**(16,303)**	**(3,572)**
Net interest income	**4,885**	**4,926**

19. Net fee and commission income (expense)

	For the six months ended 30 June (unaudited)	
	2024	**2023**
Documentary operations	593	309
Fee for servicing a loan/credit facility	44	126
Currency control	30	12
Accounts maintenance	25	20
Cash and settlement operations	17	14
Other	9	–
Fee and commission income	**718**	**481**
Fee and commission expense	(390)	(521)
Net fee and commission income (expense)	**328**	**(40)**

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(EUR thousand)

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

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

	For the six months ended 30 June (unaudited)	
	2024	***2023***
Result from disposal of debt securities		
Gains from operations with securities	41	118
Gains (losses) from revaluation of securities due to their disposal	2,373	(599)
Total net gains (losses) from operations with securities at fair value through other comprehensive income	**2,414**	**(481)**

The result from the revaluation of securities at fair value through other comprehensive income due to their disposal during the six months ended 30 June 2024 is reclassified from other comprehensive income to net gains (losses) from securities at fair value through other comprehensive income in the amount of EUR (2,373) thousand (six months ended 30 June 2023: EUR 599 thousand).

During the six months ended 30 June 2024, unrealized (losses) gains from securities at fair value through other comprehensive income amounted to EUR (9,331) thousand (six months ended 30 June 2023: EUR 7,994 thousand).

21. Administrative and management expenses

	For the six months ended 30 June (unaudited)	
	2024	***2023***
Staff costs	3,942	3,914
Depreciation of property, plant and equipment	691	688
Repair and maintenance of the building, equipment and apartments	524	684
Building security expenses	153	148
Information and advisory expenses	55	117
Other administrative and management expenses	545	407
Total administrative and management expenses	**5,910**	**5,958**

Staff costs comprise contributions to:

	For the six months ended 30 June (unaudited)	
	2024	***2023***
Social Fund of the Russian Federation	692	610
Pension funds of other IBEC member countries	4	15
Total	**696**	**625**

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(EUR thousand)

22. Allowances for expected credit losses

The tables below show (gains) losses associated with allowances for expected credit losses from financial assets recognized in profit or loss for the six months ended 30 June 2024 and the six months ended 30 June 2023:

30 June 2024 (unaudited)	***Note***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Cash and cash equivalents	5	2	–	(2)	**–**
Securities at fair value through other comprehensive income	7	256	(6,424)	–	**(6,168)**
Securities at amortized cost	8	(284)	(1,199)	–	**(1,483)**
Loans and deposits to banks	9	60	–	(9)	**51**
Loans to corporate customers	10	1,030	(572)	–	**458**
Credit-related commitments	17	(455)	–	–	**(455)**
Other financial assets	13	–	2 629	359	**2,988**
		609	**(5,566)**	**348**	**(4,609)**

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

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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 2024 and 30 June 2023 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 2024	**7**	**9,430**	**3,975**	**3,141**	**4,001**	**766**	**18,723**	**40,043**
New originated or purchased assets	67	3,717	–	384	1,438	571	3	**6,180**
Assets derecognized or redeemed (excluding write-offs)	(41)	(6,662)	(1,238)	(243)	(1,000)	(147)	(2)	**(9,333)**
Changes in models and inputs used for ECL calculations	(26)	(3,223)	(245)	(90)	20	(879)	2,987	**(1,456)**
Changes in currency exchange rates	–	209	82	34	69	48	189	**631**
Balance at 30 June 2024 (unaudited)	**7**	**3,471**	**2,574**	**3,226**	**4,528**	**359**	**21,900**	**36,065**
Balance at 1 January 2023	**28**	**8,933**	**2,608**	**10,453**	**10,808**	**7,083**	**82**	**39,995**
New originated or purchased assets	1,535	9,735	507	1,780	4,221	1,876	4,588	**24,242**
Assets derecognized or redeemed (excluding write-offs)	(1,509)	(1,761)	(49)	(11,058)	(2,017)	(1,044)	(92)	**(17,530)**
Changes in models and inputs used for ECL calculations	26	1,098	(186)	47	(1,767)	(1,417)	(32)	**(2,231)**
Changes in currency exchange rates	(12)	(827)	(64)	(272)	(1,201)	(1,391)	(24)	**(3,791)**
Balance at 30 June 2023 (unaudited)	**68**	**17,178**	**2,816**	**950**	**10,044**	**5,107**	**4,522**	**40,685**

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(EUR thousand)

23. Other provisions

Movements in other provisions are presented below:

	Provision for unused vacations	***Total***
1 January 2024	**379**	**379**
Charge	78	**78**
Write-offs	(22)	**(22)**
30 June 2024 (unaudited)	**435**	**435**
1 January 2023	**416**	**416**
Charge	41	**41**
Write-offs	(31)	**(31)**
30 June 2023 (unaudited)	**426**	**426**

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 executive body responsible for implementing the risk management policy and other strategic documents regulating risk management principles and procedures.

Credit Committee (CC)

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

Assets, Liabilities and Risk Management Committee (ALRMC)

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

(EUR thousand)

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 very high or undeterminable risk level, regardless of profitability.

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

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

Excessive risk concentration

Risk concentrations arise when changes in economic, political or other conditions have a similar effect on the counterparties' ability to meet contractual obligations when certain counterparties are involved in similar activities or operate in the same geographical region or the counterparties have similar economic characteristics. Risk concentrations reflect relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical region. In order to avoid excessive risk concentration, the Bank's policies and procedures include specific guidelines aimed at maintaining a diversified portfolio.

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(EUR thousand)

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 international rating agencies to manage the credit quality of its financial assets. If no external rating is available, the Bank determines its internal credit rating on the basis of the sovereign rating ceiling. In addition to the analysis of the financial standing of counterparties, the Bank also analyzes cash flows and prepares cash flow models for its corporate lending transactions, if necessary.

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

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

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

Risks associated with credit-related commitments

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

Definition of default

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

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

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

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

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

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

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

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

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

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

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

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

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

(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

Credit risk levels (grades)

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

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

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

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

Creating a term structure of probability of default

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

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

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

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

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

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

Inputs for measuring expected credit losses

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

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

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

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

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

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

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

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

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

Forward-looking information

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

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

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

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

In these 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 ratings using the scale of internal credit ratings that are consistent with the ratings assigned by international rating agencies.

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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 30 June 2024:

	Stage 1	*Stage 2*	*Stage 3*	
	12-month ECL	***Lifetime ECL***	***Lifetime ECL***	***Total***
Cash and cash equivalents (other than cash on hand)				
Due from central banks	5,888	–	–	**5,888**
Correspondent accounts with internationally rated banks	12,280	–	–	**12,280**
Correspondent accounts with banks having internal credit ratings only	35,434	–	4	**35,438**
Total	**53,602**	**–**	**4**	**53,606**
Allowance for expected credit losses	(3)	–	(4)	**(7)**
Carrying amount	**53,599**	**–**	**–**	**53,599**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	11,373	2,675	–	**14,048**
Internally rated only	143,876	8,815	–	**152,691**
Carrying amount	**155,249**	**11,490**	**–**	**166,739**
Allowance for expected credit losses	**(1,104)**	**(2,325)**	**–**	**(3,429)**
Pledged under repurchase agreements				
Internally rated only	35,212	–	–	**35,212**
Carrying amount	**35,212**	**–**	**–**	**35,212**
Allowance for expected credit losses	**(42)**	**–**	**–**	**(42)**
Securities at amortized cost				
Held by the Bank				
Internationally rated	–	3,865	–	**3,865**
Internally rated only	24,305	5,012	110	**29,427**
Total	**24,305**	**8,877**	**110**	**33,292**
Allowance for expected credit losses	(125)	(2,339)	(110)	**(2,574)**
Carrying amount	**24,180**	**6,538**	**–**	**30,718**

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(EUR thousand)

24. Risk management (continued)

Credit risk (continued)

	Stage 1 12-month ECL	*Stage 2* Lifetime ECL	*Stage 3* Lifetime ECL	*Total*
Loans and deposits to banks				
Internationally rated	43,244	–	1,709	**44,953**
Internally rated only	433	–	1,230	**1,663**
Total	**43,677**	**–**	**2,939**	**46,616**
Allowance for expected credit losses	(287)	–	(2,939)	**(3,226)**
Carrying amount	**43,390**	**–**	**–**	**43,390**
Loans to corporate customers				
Internally rated only	110,700	21,985	568	**133,253**
Total	**110,700**	**21,985**	**568**	**133,253**
Allowance for expected credit losses	(1,292)	(2,668)	(568)	**(4,528)**
Carrying amount	**109,408**	**19,317**	**–**	**128,725**
Other financial assets				
Internationally rated	–	–	12,484	**12,484**
Internally rated only	2,226	5,258	6,785	**14,269**
Total	**2,226**	**5,258**	**19,269**	**26,753**
Allowance for expected credit losses	(2)	(2,629)	(19,269)	**(21,900)**
Carrying amount	**2,224**	**2,629**	**–**	**4,853**

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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 2023:

	Stage 1	*Stage 2*	*Stage 3*	
	12-month ECL	*Lifetime ECL*	*Lifetime ECL*	*Total*
Cash and cash equivalents (other than cash on hand)				
Due from central banks	5,783	–	–	**5,783**
Correspondent accounts with internationally rated banks	6,621	–	–	**6,621**
Correspondent accounts with banks having internal credit ratings only	6,535	–	7	**6,542**
Total	**18,939**	**–**	**7**	**18,946**
Allowance for expected credit losses	–	–	(7)	**(7)**
Carrying amount	**18,939**	**–**	**–**	**18,939**
Securities at fair value through other comprehensive income				
Held by the Bank				
Internationally rated	12,798	8,418	–	**21,216**
Internally rated only	68,452	20,303	–	**88,755**
Carrying amount	**81,250**	**28,721**	**–**	**109,971**
Allowance for expected credit losses	**(763)**	**(8,564)**	**–**	**(9,327)**
Pledged under repurchase agreements				
Internally rated only	62,361	–	–	**62,361**
Carrying amount	**62,361**	**–**	**–**	**62,361**
Allowance for expected credit losses	**(103)**	**–**	**–**	**(103)**
Securities at amortized cost				
Held by the Bank				
Internationally rated	5,054	3,745	–	**8,799**
Internally rated only	22,444	9,603	110	**32,157**
Total	**27,498**	**13,348**	**110**	**40,956**
Allowance for expected credit losses	(395)	(3,470)	(110)	**(3,975)**
Carrying amount	**27,103**	**9,878**	**–**	**36,981**

(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*
Loans and deposits to banks				
Internationally rated	63,722	–	1,690	**65,412**
Internally rated only	30,940	–	1,228	**32,168**
Total	**94,662**	**–**	**2,918**	**97,580**
Allowance for expected credit losses	(223)	–	(2,918)	**(3,141)**
Carrying amount	**94,439**	**–**	**–**	**94,439**
Loans to corporate customers				
Internally rated only	117,168	13,261	521	**130,950**
Total	**117,168**	**13,261**	**521**	**130,950**
Allowance for expected credit losses	(2,207)	(1,273)	(521)	**(4,001)**
Carrying amount	**114,961**	**11,988**	**–**	**126,949**
Other financial assets				
Internationally rated	–	–	12,484	**12,484**
Internally rated only	9,725	–	6,237	**15,962**
Total	**9,725**	**–**	**18,721**	**28,446**
Allowance for expected credit losses	(2)	–	(18,721)	**(18,723)**
Carrying amount	**9,723**	**–**	**–**	**9,723**

As at 30 June 2024, all credit-related commitments less allowances for expected credit losses in the amount of EUR 72,319 thousand relate to Stage 1. As at 31 December 2023, all credit-related commitments less allowances for expected credit losses in the amount of EUR 60,885 thousand relate to Stage 1. During the six months ended 30 June 2024 and 30 June 2023, there were no transfers between stages.

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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 2024:

Country	*Cash and cash equivalents (other than cash on hand)*	*Securities at fair value through profit or loss held by the Bank*	*Securities at fair value through profit or loss pledged under repurchase agreements*	*Securities at fair value through other comprehend-sive income held by the Bank*	*Securities at fair value through other comprehend-sive 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	41,251	1,649	2,999	151,040	35,212	27,880	–	433	50,730	381	4,547	**316,122**	**67.51**
Mongolia	11,802	–	–	–	–	–	–	25,750	35,800	–	129	**73,481**	**15.69**
Republic of Bulgaria	–	–	–	3,039	–	–	–	–	17,228	–	2	**20,269**	**4.33**
Socialist Republic of Vietnam	172	–	–	–	–	–	–	–	12,376	–	–	**12,548**	**2.68**
Republic of Poland	5	–	–	4,380	–	–	–	–	6,941	–	–	**11,326**	**2.42**
Czech Republic	–	–	–	2,675	–	2,838	–	–	–	–	–	**5,513**	**1.18**
Romania	–	–	–	3,954	–	–	–	–	–	–	–	**3,954**	**0.84**
IFI[2]	–	–	–	1,651	–	–	–	–	–	–	74	**1,725**	**0.37**
Other countries	369	–	–	–	–	–	–	17,207	5,650	–	101	**23,327**	**4.98**
Total	**53,599**	**1,649**	**2,999**	**166,739**	**35,212**	**30,718**	**–**	**43,390**	**128,725**	**381**	**4,853**	**468,265**	**100**

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

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[2] IFI – international financial funds and institutions.

(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 2023:

Country	*Cash and cash equivalents (other than cash on hand)*	*Securities at fair value through profit or loss held by the Bank*	*Securities at fair value through profit or loss pledged under repurchase agreements*	*Securities at fair value through other comprehend-sive income held by the Bank*	*Securities at fair value through other comprehend-sive 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	12,146	1,646	2,909	88,755	62,361	29,226	–	30,930	46,501	–	9,720	**284,194**	**61.26**
Mongolia	4,683	–	–	–	–	–	–	44,336	37,133	–	–	**86,152**	**18.57**
Republic of Bulgaria	–	–	–	3,099	–	5,010	–	–	16,951	–	2	**25,062**	**5.40**
Socialist Republic of Vietnam	167	–	–	–	–	–	–	–	13,865	–	–	**14,032**	**3.02**
Republic of Poland	6	–	–	3,716	–	–	–	–	7,341	–	–	**11,063**	**2.39**
Czech Republic	–	–	–	1,949	–	2,745	–	–	–	–	–	**4,694**	**1.01**
Romania	–	–	–	4,034	–	–	–	–	–	–	–	**4,034**	**0.87**
IFI[3]	–	–	–	1,529	–	–	–	–	–	–	–	**1,529**	**0.33**
Slovak Republic	–	–	–	–	–	–	–	–	129	–	–	**129**	**0.03**
Other countries	1,937	–	–	6,889	–	–	–	19,173	5,029	–	1	**33,029**	**7.12**
Total	**18,939**	**1,646**	**2,909**	**109,971**	**62,361**	**36,981**	**–**	**94,439**	**126,949**	**–**	**9,723**	**463,918**	**100**

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

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[3] IFI – international financial funds and institutions.

(EUR thousand)

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 2024 and 31 December 2023 based on contractual undiscounted cash flows. Repayments which are subject to notice are treated as if notice were to be given immediately.

30 June 2024 (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 financial institutions	16,754	28,726	2,119	39,191	86,790	**76,685**
Due to customers	22,716	40,418	–	–	63,134	**60,486**
Debt securities issued	–	13,236	13,236	194,716	221,188	**160,692**
Other liabilities	1,719	–	–	–	1,719	**1,719**
Gross settled derivative financial instruments						
- Inflow	*(4,604)*	*(571)*	*(572)*	*(548)*	*(6,295)*	***(8,152)***
- Outflow	*4,366*	*581*	*582*	*558*	*6,087*	***8,447***
Total	**40,951**	**82,390**	**15,365**	**233,917**	**372,623**	**299,877**

31 December 2023	***On demand and less than 30 days***	***31 to 180 days***	***181 to 365 days***	***Over 365 days***	***Total gross amount of cash (inflow) outflow***	***Carrying amount***
Due to financial institutions	60,292	5,115	2,560	41,309	109,276	**99,105**
Due to customers	15,362	24	7,197	–	22,583	**22,581**
Debt securities issued	–	59,546	2,477	108,710	170,733	**147,073**
Other liabilities	10,694	–	–	–	10,694	**10,694**
Gross settled derivative financial instruments						
- Inflow	*(34,685)*	*(21,064)*	*(204)*	*(396)*	*(56,349)*	***(57,536)***
- Outflow	*32,212*	*26,063*	*235*	*471*	*58,981*	***63,791***
Total	**83,875**	**69,684**	**12,265**	**150,094**	**315,918**	**285,708**

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(EUR thousand)

24. Risk management (continued)

Liquidity risk and funding management (continued)

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 2024 (unaudited)	70,168	–	–	1,792	–	**71,960**
31 December 2023	60,119	–	–	–	–	**60,119**

Classification of assets and liabilities by maturity

The tables below show the analysis of all financial assets and financial liabilities of the Bank as at 30 June 2024 and 31 December 2023 by contractual maturity.

Quoted debt securities that are highly liquid securities, which can be sold by the Bank in the short-term on the arm-length basis, measured at fair value through other comprehensive income and at fair value through profit or loss and not pledged under repurchase agreements are classified as "On demand and less than 1 month". Securities at fair value through other comprehensive income and securities at fair value through profit or loss pledged under repurchase agreements are presented on the basis of periods from the reporting date to the expiry date of the respective contractual obligations of the Bank.

30 June 2024 (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*	*Excluded from analysis[4]*	*Total*
Cash and cash equivalents	55,895	–	–	–	–	–	–	**55,895**
Securities at fair value through profit or loss								
- Held by the Bank	*1,649*	–	–	–	–	–	–	***1,649***
- Pledged under repurchase agreements	–	*2,999*	–	–	–	–	–	***2,999***
Securities at fair value through other comprehensive income								
- Held by the Bank	*157,924*	–	–	–	–	–	*8,815*	***166,739***
- Pledged under repurchase agreements	*11,145*	*24,067*	–	–	–	–	–	***35,212***
Securities at amortized cost								
- Held by the Bank	–	*9,928*	*3,814*	*10,438*	–	–	*6,538*	***30,718***
Loans and deposits to banks	5,849	6,531	9,840	21,170	–	–	–	**43,390**
Loans to corporate customers	11,098	50,795	11,579	35,760	14,930	4,563	–	**128,725**
Derivative financial assets	205	–	–	176	–	–	–	**381**
Other financial assets	2,130	3	–	90	–	–	2,630	**4,853**
Total financial assets	**245,895**	**94,323**	**25,233**	**67,634**	**14,930**	**4,563**	**17,983**	**470,561**
Due to financial institutions	16,459	28,094	1,247	16,019	14,866	–	–	**76,685**
Due to customers	22,694	37,792	–	–	–	–	–	**60,486**
Derivative financial liabilities	92	–	–	203	–	–	–	**295**
Debt securities issued	–	1,638	2,493	156,561	–	–	–	**160,692**
Other financial liabilities	925	–	–	–	–	–	–	**925**
Total financial liabilities	**40,170**	**67,524**	**3,740**	**172,783**	**14,866**	**–**	**–**	**299,083**
Net position	**205,725**	**26,799**	**21,493**	**(105,149)**	**64**	**4,563**	**17,983**	**171,478**
Cumulative liquidity gap for financial instruments	**205,725**	**232,524**	**254,017**	**148,868**	**148,932**	**153,495**	**171,478**	**–**

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

(EUR thousand)

24. Risk management (continued)

Classification of assets and liabilities by maturity (continued)

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

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 exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk. The Board of Management of the Bank sets limits on the level of risk that may be accepted and monitors the compliance on a regular basis.

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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 2024 (unaudited)		***31 December 2023***	
	Profit or loss	***Equity***	***Profit or loss***	***Equity***
1 bp parallel fall	**(139)**	**(151)**	**47**	**13**
EUR	8	2	(227)	(257)
USD	(2)	(2)	(87)	(87)
RUB	(117)	(123)	427	423
Other currencies	(28)	(28)	(66)	(66)
1 bp parallel rise	**139**	**151**	**(47)**	**(13)**
EUR	(8)	(2)	227	257
USD	2	2	87	87
RUB	117	123	(427)	(423)
Other currencies	28	28	66	66

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

	30 June 2024 (unaudited)					***31 December 2023***			
	Average interest rate, %					***Average interest rate, %***			
	EUR	***USD***	***RUB***	***CNY***	***Other currencies***	***EUR***	***USD***	***RUB***	***Other currencies***
Interest-bearing assets									
Correspondent accounts and short-term deposits with banks in IBEC member countries and banks in other countries	0.03	0.13	13.25	1.51	0.38	0.16	0.67	–	0.02
Securities at fair value through profit or loss									
- Held by the Bank	*1.49*	–	–	–	–	*1.49*	–	–	–
- Pledged under repurchase agreements	*1.13*	–	–	–	–	*1.13*	–	–	–
Securities at fair value through other comprehensive income									
- Held by the Bank	*1.92*	*3.33*	*13.10*	*6.30*	–	*2.5*	*3.33*	*11.56*	*3.80*
- Pledged under repurchase agreements	*2.46*	–	*8.50*	–	–	*2.25*	–	*8.30*	–
Securities at amortized cost									
- Held by the Bank	*2.22*	*8.50*	*15.33*	–	–	*0.52*	*3.78*	*15.33*	–
Loans and deposits to banks	6.03	–	18.19	8.27	–	8.83	3.13	15.99	8.10
Loans to corporate customers	8.00	–	16.59	9.50	–	8.23	–	16.14	–
Consumer lending	6.90	–	–	–	–	6.36	–	–	–
Interest-bearing liabilities									
Due to financial institutions	4.33	–	15.74	5.85	–	4.37	–	15.64	–
Correspondent accounts with banks in IBEC member countries and other credit institutions	(0.50)	–	10.96	–	–	(0.50)	–	10.57	–
Due to customers	2.09	2.85	15.45	–	–	2.17	2.83	11.94	–
Debt securities issued	–	–	16.61	–	–	–	–	12.34	–

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(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 2024:

	Note	*EUR*	*USD*	*RUB*	*CNY*	*Other*	*Total*
Cash and cash equivalents		12,547	1,053	39,063	3,214	18	**55,895**
Securities at fair value through profit or loss							
- Held by the Bank		*1,649*	–	–	–	–	***1,649***
- Pledged under repurchase agreements		*2,999*	–	–	–	–	***2,999***
Securities at fair value through other comprehensive income							
- Held by the Bank		*60,954*	*8,740*	*86,894*	*10,151*	–	***166,739***
- Pledged under repurchase agreements		*34,124*	–	*1,088*	–	–	***35,212***
Securities at amortized cost							
- Held by the Bank		*6,740*	*2,838*	*21,140*	–	–	***30,718***
Loans and deposits to banks		2,760	–	17,640	22,990	–	**43,390**
Loans to corporate customers		71,989	–	56,380	356	–	**128,725**
Other financial assets	13	4,075	–	601	49	128	**4,853**
Total financial assets		**197,837**	**12,631**	**222,806**	**36,760**	**146**	**470,180**
Due to financial institutions		34,738	10	40,639	1,298	–	**76,685**
Due to customers		9,321	65	50,757	343	–	**60,486**
Debt securities issued		–	–	160,692	–	–	**160,692**
Other financial liabilities	13	446	–	475	3	1	**925**
Total financial liabilities		**44,505**	**75**	**252,563**	**1,644**	**1**	**298,788**
Net balance sheet position		**153,332**	**12,556**	**(29,757)**	**35,116**	**145**	**171,392**
Net off-balance sheet position		**–**	**–**	**86**	**–**	**–**	**86**
Net balance sheet and off-balance sheet position		**153,332**	**12,556**	**(29,671)**	**35,116**	**145**	**171,478**

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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 2023:

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

As at 30 June 2024 and 31 December 2023, 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 and other comprehensive income.

	30 June 2024 (unaudited)	***31 December 2023***
20% appreciation of USD against EUR	2,511	(325)
20% appreciation of RUB against EUR	(5,934)	(2,390)
20% depreciation of USD against EUR	(2,511)	325
20% depreciation of RUB against EUR	5,934	2,390

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(EUR thousand)

24. Risk management (continued)

Operational risk

Operational risk is the risk 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 measuring and disclosing fair values of financial instruments:

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

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(EUR thousand)

25. Fair value measurement (continued)

Fair value hierarchy (continued)

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

The following tables show the analysis of financial instruments presented in the interim condensed financial statements at fair value by level of the fair value hierarchy as at 30 June 2024 and 31 December 2023:

30 June 2024 (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	*857*	–	–	***857***
- Corporate bonds	792	–	–	**792**
Securities at fair value through profit or loss pledged under repurchase agreements				
- Eurobonds of IBEC member countries	*2,999*	–	–	***2,999***
Securities at fair value through other comprehensive income held by the Bank				
- Corporate bonds	*113,895*	–	–	***113,895***
- Corporate Eurobonds	*12,137*	–	*7,164*	***19,301***
- Eurobonds of IBEC member countries	*12,422*	–	–	***12,422***
- Bonds of banks	*8,275*	–	–	***8,275***
- Eurobonds of other countries	*6,993*	–	–	***6,993***
- Bonds of IBEC member countries	*4,202*	–	–	***4,202***
- Eurobonds of international financial institutions	–	–	*1,651*	***1,651***
Securities at fair value through other comprehensive income pledged under repurchase agreements				
- Eurobonds of IBEC member countries	*34,124*	–	–	***34,124***
- Bonds of IBEC member countries	*1,088*	–	–	***1,088***
Derivative financial assets	–	381	–	**381**
Property, plant and equipment – buildings	–	–	48,587	**48,587**
	197,784	**381**	**57,402**	**255,567**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	–	55,895	**55,895**
Securities at amortized cost	–	–	30,718	**30,718**
Loans and deposits to banks	–	–	43,390	**43,390**
Loans to corporate customers	–	–	128,725	**128,725**
Other financial assets	–	–	4,853	**4,853**
	–	**–**	**263,581**	**263,581**
Liabilities measured at fair value				
Derivative financial liabilities	–	295	–	**295**
Liabilities for which fair values are disclosed				
Due to financial institutions	–	–	76,685	**76,685**
Due to customers	–	–	60,486	**60,486**
Debt securities issued	–	–	160,692	**160,692**
	–	**–**	**297,863**	**297,863**

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(EUR thousand)

25. Fair value measurement (continued)

Fair value hierarchy (continued)

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

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.

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(EUR thousand)

25. Fair value measurement (continued)

Derivative financial instruments (continued)

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

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

Securities at fair value

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

Transfers between Level 1 and Level 2

During the six months ended 30 June 2024 and 30 June 2023, there were no transfers from Level 1 to Level 2 and from Level 2 to Level 1.

Movements in Level 3 financial instruments

During the six months ended 30 June 2024, there were no transfers from Level 1 to Level 3 and from Level 3 to Level 1.

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

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

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

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

During the six months ended 30 June 2024 and 30 June 2023, no assets were classified to Level 3 financial instruments of the fair value hierarchy.

(EUR thousand)

25. Fair value measurement (continued)

Securities at fair value (continued)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value for the period ended 30 June 2024:

	At 1 January 2024	*Total gains/(losses) recorded in profit or loss*	*Total gains/(losses) recognized in other comprehensive income*	*Purchases*	*Sales*	*Settlements*	*Replacements*	*Transfers from (to) Level 1 and Level 2*	*At 30 June 2024 (unaudited)*
Financial assets									
Securities at fair value through other comprehensive income	30,717	900	(2,386)	–	–	(7,716)	(12,700)	–	8,815
Property, plant and equipment – building	49,103	(522)	–	6	–	–	–	–	48,587
Total Level 3 financial assets	**79,820**	**378**	**(2,386)**	**6**	**–**	**(7,716)**	**(12,700)**	**–**	**57,402**
Total net Level 3 financial assets	**79,820**	**378**	**(2,386)**	**6**	**–**	**(7,716)**	**(12,700)**	**–**	**57,402**

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value for the period ended 30 June 2023:

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

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

As at 30 June 2024 and 31 December 2023, 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 financial 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 IBEC member countries:

Development portfolio	Providing investment banking services, including the provision of corporate financing (less impaired credit projects) and interbank financing to fund the foreign trade activities of companies from IBEC member countries as well as investments in debt securities purchased at initial placement by issuers from the Bank's member countries to support the operations of the Bank's member countries (taking into account the period of withdrawal of countries from the Agreement on the Organization and Activities of the International Bank for Economic Co-operation); raising corporate and interbank financing from counterparties from member countries and international financial organizations (including shareholders the same as those in IBEC). If at the time of a transaction, the country of exposure for the company was the Bank's member country, this transaction remains in the development portfolio up to the date of repayment irrespective of whether the country has withdrawn from the Agreement Concerning the Organization and Activities of the International Bank for Economic Co-operation.
Other banking activities	Providing investment banking services, including term interbank financing as well as investments in debt securities (not included in the development portfolio), handling derivative financial instruments and foreign currency, managing liquidity, raising corporate and interbank financing from counterparties from non-member countries (taking into account the period of withdrawal of countries from the Agreement on the Organization and Activities of the International Bank for Economic Co-operation), lending to corporate clients of the non-performing loan category, trust management.
Other activities	Lease services and other activities.

Management monitors operating results of each segment separately to make decisions on allocation of resources and to 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 2024 and 30 June 2023, respectively, are shown in the table below:

Six months ended 30 June 2024 (unaudited)	***Development portfolio***	***Other banking activities***	***Other activities***	***Total***
Interest income calculated using the EIR method	13,723	7,426	5	**21,154**
Other interest income	–	34	–	**34**
Interest expense	(15,998)	(276)	(29)	**(16,303)**
Net interest income (expense)	**(2,275)**	**7,184**	**(24)**	**4,885**
Reversal of allowance for expected credit losses from financial assets	2,860	1,749	–	**4,609**
Net interest income (expense) after allowance for expected credit losses	**585**	**8,933**	**(24)**	**9,494**
Net fee and commission income (expense)	427	(99)	–	**328**
Net gains from operations with securities at fair value through profit or loss	–	59	–	**59**
Net gains from operations with securities at fair value through other comprehensive income	24	2,390	–	**2,414**
Net losses from operations with securities at amortized cost	(638)	–	–	**(638)**
Net gains (losses) from operations with derivative financial instruments and foreign currency	(7,486)	8,441	–	**955**
Lease income	–	–	587	**587**
Other banking income	14	8	326	**348**
Net losses from disposal of property, plant and equipment	–	–	(3)	**(3)**
Other provisions	–	–	(78)	**(78)**
Other banking expenses	(14)	(261)	(56)	**(331)**
Segment profit (loss)	**(7,088)**	**19,471**	**752**	**13,135**

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(EUR thousand)

26. Segment reporting (continued)

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

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

	Six month period ended 30 June (unaudited)	
	2024	***2023***
Total segment profit (loss)	**13,135**	**7,191**
Other unallocated expenses	(5,910)	(5,958)
Profit (loss) for the period	**7,225**	**1,233**

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(EUR thousand)

26. Segment reporting (continued)

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

	Development portfolio	*Other banking activities*	*Other activities*	*Total*
Segment assets				
30 June 2024 (unaudited)	289,295	180,322	52,648	**522,265**
31 December 2023	245,511	220,379	52,956	**518,846**
Segment liabilities				
30 June 2024 (unaudited)	287,205	11,402	1,270	**299,877**
31 December 2023	267,272	14,389	4,047	**285,708**
Credit-related commitments				
30 June 2024 (unaudited)	70,168	1,792	–	**71,960**
31 December 2023	60,119	–	–	**60,119**

During the six months ended 30 June 2024, the Bank's revenue from lease operations with one external counterparty (30 June 2023: one external counterparty) exceeded 20% of the Bank's income for the six months ended 30 June 2024, EUR 252 thousand (30 June 2023: EUR 495 thousand).

Segment revenue from contracts with external customers that are within the scope of IFRS 15 for the six months ended 30 June 2024 and 30 June 2023 is as follows:

Six months ended 30 June 2024 (unaudited)	*Development portfolio*	*Other banking activities*	*Other activities*	*Total*
Interest income	13,723	7,460	5	**21,188**
Fee and commission income	684	34	–	**718**
- Documentary operations	*593*	–	–	***593***
- Fee for servicing a loan/credit facility	*44*	–	–	***44***
- Currency control	*16*	*14*	–	***30***
- Accounts maintenance	*17*	*8*	–	***25***
- Cash and settlement operations	*14*	*3*	–	***17***
- Other	–	*9*	–	***9***
Lease income	–	–	587	**587**
Total revenue from contracts with customers	**14,407**	**7,494**	**592**	**22,493**

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

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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 2024, remuneration to the key management personnel of the Bank amounted to EUR 426 thousand (30 June 2023: EUR 677 thousand). Remuneration to the key management personnel of the Bank includes contributions to the Social Fund of the Russian Federation in the amount of EUR 40 thousand (30 June 2023: EUR 26 thousand). As at 30 June 2024, there were no contributions to Pension funds of IBEC member countries (30 June 2023: EUR 4 thousand).

As at 30 June 2024 and 31 December 2023, balances on the accounts of the Bank's key management personnel were as follows:

	30 June 2024 (unaudited)	***31 December 2023***
Current accounts	58	170

Transactions with government-related companies

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

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

Interim statement of financial position	***30 June 2024 (unaudited)***	***31 December 2023***
Assets		
Cash and cash equivalents	27,116	11,970
Securities at fair value through profit or loss	4,648	4,555
Securities at fair value through other comprehensive income	112,547	129,876
Securities at amortized cost	6,740	6,736
Loans and deposits to banks	433	36,334
Loans to corporate customers	37,309	39,647
Derivative financial assets	381	–
Other assets	193	7,238
Liabilities		
Due to financial institutions	72,341	97,875
Due to customers	7,415	7,456
Derivative financial liabilities	295	6,255
Other liabilities	207	2,930
Off-balance sheet commitments		
Credit-related commitments	2,676	–

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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 2024 and 30 June 2023 are as follows:

Interim statement of profit or loss and other comprehensive income	***For the six months ended 30 June (unaudited)***	
	2024	***2023***
Interest income calculated using the EIR method	7,027	4,222
Other interest income	34	34
Interest expense	(3,769)	(154)
Reversal of allowance (allowance) for expected credit losses from financial assets	2,671	(1,766)
Fee and commission income	5	4
Fee and commission expense	(37)	(34)
Net gains (losses) from operations with securities at fair value through profit or loss	59	(483)
Net gains (losses) from operations with securities at fair value through other comprehensive income	2,300	(208)
Net gains (losses) from operations with derivative financial instruments and foreign currency	3,528	(7,626)
Lease income	494	973
Other banking income	53	50
Administrative and management expenses	(96)	(151)

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 2024 and 31 December 2023 comprised 43.6% and 47.4%, respectively.

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(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 2024 and 31 December 2023:

	30 June 2024 (unaudited)	*31 December 2023*
Equity	222,388	233,138
Total equity	**222,388**	**233,138**
Risk-weighted assets		
Credit risk	377,369	393,605
Market risk	121,296	86,452
Operational risk	11,832	11,832
Total risk-weighted assets	**510,497**	**491,889**

29. Events after the reporting period

On 4 July 2024, Chinese rating agency CCXI assigned to IBEC the AAA credit rating with a stable outlook on the local scale.

(End).