

Report on Review of Interim Financial Information of
International Investment Bank
for the six months ended 30 June 2022

February 2023

Report on Review of Interim Financial Information of International Investment Bank

Contents	Page
Report on Review of Interim Financial Information	3
Appendices	
Interim separate statement of financial position	5
Interim separate income statement	6
Interim separate statement of comprehensive income	7
Interim separate statement of changes in equity	8
Interim separate statement of cash flows	9
Notes to the Interim condensed separate financial statements	
1. Principal activities	10
2. Basis of preparation	11
3. Summary of accounting policies	12
4. Significant accounting judgments and estimates	12
5. Cash and cash equivalents	13
6. Deposits with banks and other financial institutions	14
7. Derivative financial instruments	14
8. Investments at fair value through profit or loss	20
9. Securities at fair value through other comprehensive income	21
10. Securities at amortized cost	22
11. Loans to banks	23
12. Loans to customers	26
13. Other assets and liabilities	31
14. Allowances for expected credit losses	33
15. Due to banks and other financial institutions	34
16. Long-term loans of banks	34
17. Debt securities issued	34
18. Equity	36
19. Commitments and contingencies	37
20. Leases	39
21. Interest income and interest expenses	39
22. Net losses from operations with foreign currencies and derivatives	39
23. General and administrative expenses	40
24. Risk management	40
25. Fair value measurements	48
26. Segment information	50
27. Related party disclosures	55
28. Capital adequacy	56
29. Events after the reporting period	56

Report on Review of Interim Financial Information

To the Board of Governors of
International Investment Bank

Introduction

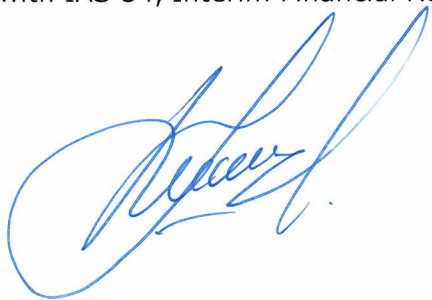
We have reviewed the accompanying interim condensed separate financial statements of International Investment Bank, which comprise the interim separate statement of financial position as at 30 June 2022, the interim separate income statement, interim separate statement of comprehensive income, interim separate statement of changes in equity and interim separate statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of International Investment Bank is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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



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

15 February 2023

Details of the auditor

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

Details of the entity

Name: International Investment Bank
International Investment Bank is an international organization established on the basis of the Agreement Establishing the International Investment Bank dated 10 July 1970, registered with the United Nations Secretariat on 1 December 1971 under number 11417.
Address: H-1011, Hungary, Budapest, Fő utca, 1.

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION**At 30 June 2022***(Thousands of euros)*

	<i>Note</i>	30 June 2022 (unaudited)	31 December 2021
Assets			
Cash and cash equivalents	5	186,502	89,122
Deposits with banks and other financial institutions	6	119,473	58,961
Derivative financial assets	7	10,850	11,333
Investments at fair value through profit or loss	8	16,812	11,713
Securities at fair value through other comprehensive income	9	178,875	218,492
Securities at fair value through other comprehensive income pledged under repurchase agreements	9	–	17,562
Securities at amortized cost	10	62,663	86,781
Loans to banks	11	117,565	118,934
Loans to customers	12	737,874	1,033,525
Loans to customers pledged under repurchase agreements	12	–	40,750
Investment in subsidiary	2	145	145
Investment property		32,328	32,311
Property, equipment and intangible assets		66,543	67,188
Other assets	13	2,133	2,508
Total assets		1,531,763	1,789,325
Liabilities			
Due to banks and other financial institutions	15	–	117,935
Derivative financial liabilities	7	56,716	73,332
Current customer accounts		4,518	16,445
Long-term loans of banks	16	49,317	62,783
Debt securities issued	17	1,162,368	1,033,939
Other liabilities	13	4,278	13,872
Total liabilities		1,277,197	1,318,306
Equity	18		
Authorized capital		2,000,000	2,000,000
Less: unallocated capital		(875,500)	(875,500)
Subscribed capital		1,124,500	1,124,500
Less: callable capital		(697,376)	(699,631)
Paid-in capital		427,124	424,869
Revaluation reserve for securities at fair value through other comprehensive income		(31,324)	(58)
Revaluation reserve for property and equipment		8,691	8,691
Cash flow hedge reserve	7	(76,205)	(29,792)
Retained earnings less net income for the year		67,309	59,441
Net (loss)/income for the period		(141,029)	7,868
Total equity		254,566	471,019
Total equity and liabilities		1,531,763	1,789,325

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

Georgy Potapov



Acting First Deputy Chairperson of the Management Board

Elliot Auckland



Chief Financial officer

15 February 2023

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

INTERIM SEPARATE INCOME STATEMENT**Six months ended 30 June 2022***(Thousands of euros)*

	<i>Note</i>	<i>For six months ended 30 June (unaudited)</i>	
		<i>2022</i>	<i>2021</i>
Interest income calculated using the EIR method	21	30,210	25,071
Other interest income	21	10,016	10,326
Interest expense calculated using the EIR method	21	(22,256)	(20,031)
Other interest expense	21	(6,790)	(4,030)
Net interest income		11,180	11,336
Net allowance for credit losses on financial instruments	5-6, 9-14, 19	(29,142)	221
Net interest (loss)/income after allowance for loan impairment		(17,962)	11,557
Fee and commission income		968	806
Fee and commission expense		(320)	(269)
Net fee and commission income		648	537
Net losses from operations with foreign currencies and derivatives	22	(80,269)	(2,986)
Net (losses)/gains from operations with investments at fair value through profit or loss		(112)	680
Net (losses)/gains from operations with investments at fair value through other comprehensive income	9, 12	(7,610)	4,744
Net losses from operations with investments at amortized cost	10, 12	(3,512)	–
Income from lease of investment property	20	1,279	1,087
Other income		2,046	343
Net non-interest (loss)/income		(88,178)	3,868
Operating (loss)/income		(105,492)	15,962
General and administrative expenses	23	(8,018)	(8,538)
Net losses from sale of loans to customers	12	(27,387)	–
Other operating expenses on banking operations		(132)	(195)
Operating expenses		(35,537)	(8,733)
Net (loss)/income for the period		(141,029)	7,229

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME**Six months ended 30 June 2022***(Thousands of euros)*

	<i>Note</i>	<i>For six months ended 30 June (unaudited)</i>	
		<i>2022</i>	<i>2021</i>
Net (loss)/income for the period		(141,029)	7,229
Other comprehensive (loss)/income			
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</i>			
Net change in the fair value of debt instruments at fair value through other comprehensive income	18	(31,445)	(3,392)
Net unrealized loss on cash flow hedges	7	(46,413)	(11,078)
Change in the allowance for expected credit losses related to securities at fair value through other comprehensive income	9, 12	179	134
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(77,679)	(14,336)
Other comprehensive loss		(77,679)	(14,336)
Total comprehensive loss for the period		(218,708)	(7,107)

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY**Six months ended 30 June 2022***(Thousands of euros)*

	<i>Authorized capital</i>	<i>Unallocated capital</i>	<i>Callable capital</i>	<i>Revaluation reserve for securities</i>	<i>Revaluation reserve for property and equipment</i>	<i>Cash flow hedge reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
At 1 January 2021	2,000,000	(875,500)	(745,790)	8,225	8,432	(248)	59,441	454,560
Profit for the period	–	–	–	–	–	–	7,229	7,229
Other comprehensive loss	–	–	–	(3,258)	–	(11,078)	–	(14,336)
Total comprehensive (loss)/income	–	–	–	(3,258)	–	(11,078)	7,229	(7,107)
At 30 June 2021 (unaudited)	2,000,000	(875,500)	(745,790)	4,967	8,432	(11,326)	66,670	447,453
At 1 January 2022	2,000,000	(875,500)	(699,631)	(58)	8,691	(29,792)	67,309	471,019
Loss for the period	–	–	–	–	–	–	(141,029)	(141,029)
Other comprehensive loss	–	–	–	(31,266)	–	(46,413)	–	(77,679)
Total comprehensive loss	–	–	–	(31,266)	–	(46,413)	(141,029)	(218,708)
Contributions to capital (Note 18)	–	–	2,255	–	–	–	–	2,255
At 30 June 2022 (unaudited)	2,000,000	(875,500)	(697,376)	(31,324)	8,691	(76,205)	(73,720)	254,566

INTERIM SEPARATE STATEMENT OF CASH FLOWS**Six months ended 30 June 2022***(Thousands of euros)*

		<i>For six months ended 30 June (unaudited)</i>	
	<i>Note</i>	2022	2021
Cash flows from operating activities			
Interest, fees and commissions received		13,172	16,205
Interest, fees and commissions paid		(857)	(1,192)
Realized gains less losses from operations with foreign currencies and derivatives		(27,837)	1,931
Cash flows from lease of investment property	20	1,279	1,087
General and administrative expenses		(6,632)	(8,161)
Other operating income on banking operations		495	488
Cash flows from operating activities before changes in operating assets and liabilities		(20,380)	10,358
<i>Net (increase)/decrease in operating assets</i>			
Deposits with banks and other financial institutions		(95,971)	214
Loans to banks	11	11,499	(2,441)
Loans to customers	12	258,251	(42,188)
Other assets		827	955
<i>Net increase/(decrease) in operating liabilities</i>			
Due to banks and other financial institutions	15	(5,176)	(66,597)
Current customer accounts		(21,938)	415
Other liabilities		175	1,349
Net cash flows from operating activities		127,287	(97,935)
Cash flows from investing activities			
Interest received		1,129	3,641
Purchase of investments at fair value through profit or loss		(557)	(398)
Purchase of securities at fair value through other comprehensive income	9	(63,242)	(85,022)
Proceeds from sale and redemption of securities at fair value through other comprehensive income	9	99,052	136,341
Proceeds from redemption and sale of securities at amortized cost	10	119	4,975
Investments in investment property		–	(30)
Proceeds from sale of investment property		(17)	–
Acquisition of property, equipment and intangible assets		(702)	(3,749)
Net cash flows from investing activities		35,782	55,758
Cash flows from financing activities			
Interest paid		(16,219)	(11,513)
Long-term interbank financing raised	16	3,085	–
Long-term interbank financing repaid	16	(17,000)	–
Debt securities issued	17	57,748	213,155
Redemption and repurchase of debt securities	17	(95,502)	(80,329)
Contributions to capital	18	2,255	–
Net cash flows from financing activities		(65,633)	121,313
Effect of exchange rate changes on cash and cash equivalents		37	303
Net increase in cash and cash equivalents		97,473	79,439
Cash and cash equivalents, beginning		89,124	86,197
Cash and cash equivalents	5	186,597	165,636
Less: allowance for impairment cash and cash equivalents		(95)	(1)
Cash and cash equivalents, ending		186,502	165,635

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

*(Thousands of euros)***1. Principal activities**

The International Investment Bank (the “Bank” or the “IIB”) was founded in 1970 and has operated since 1 January 1971.

The Bank is an international institution operating on the basis of the intergovernmental agreements: 1) Agreement Establishing the International Investment Bank (the “Agreement on the establishment”) and its Charter; as well as the agreements with host countries: 2) Agreement between the Government of the Russian Federation and IIB regarding the seat of IIB in the Russian Federation of 11 February 2020 (was ratified on 4 February 2021) and 3) Agreement between IIB and the Government of Hungary regarding the Headquarters of IIB in Hungary of 5 February 2019 (entered into force on 28 April 2019). The Agreement on the establishment was ratified by the member countries of the Bank and registered with the Secretariat of the United Nations in December 1971. On 18 August 2018, the revised Agreement on the establishment and Charter, approved by the Protocol Amending the Agreement Establishing the International Investment Bank and its Charter of 8 May 2014, became effective and applicable. The Bank is primarily engaged in commercial lending for the benefit of national investment projects in the member countries of the Bank and for other purposes defined by the Board of Governors of the IIB. The Bank also performs transactions with securities and foreign currencies.

Following the decision adopted by the Board of Governors in December 2018 the Bank’s Headquarters were relocated from Russia to Hungary in 2019. Starting 15 February 2021 the Bank continued its operations from its permanent premises, the renovated historic Lánchíd Palota building (Fő utca, 1), Budapest. At the same time, the IIB Branch operates in Moscow (7 Mashkova str., Moscow, Russian Federation).

Geopolitical tensions between the Banks’ Member States impacted the Bank in 2022. In March 2022 four of the Bank’s Member States made a public statement about their intention to exit the shareholding of IIB. That statement along with the evolving geopolitical situation and imposition of sanctions between Member States led to a deterioration in the Bank’s Credit Rating profile – in particular, the Bank lost two ratings and a third was downgraded from A- although remaining in the investment grade level.

The combination of geopolitical tensions, lower credit ratings and general macro-economic uncertainty meant that the Bank was unable to access money markets in the first half of 2022. Instead, the Bank’s management took the decision to stop new lending operations and to strengthen its liquidity.

However regardless the high geopolitical tensions due to Russia-Ukraine conflict and dramatic depreciation of the ruble the Bank continues its operations in accordance with its mandate and strategic objectives established by the member countries. Specific events led to:

- ▶ Unforeseen decline of net present values of derivatives and requirement to provide additional collateral. Hedge accounting of few bond issues was early discontinued (Note 7);
- ▶ Limitations to MTN-programme caused unavailability of raising planned funding;
- ▶ The Bank is not a subject of any direct sanctions as international financial institution, however, restrictions imposed to the Bank limited Bank’s depositary partner by Euroclear limited the Bank’s opportunity to manage securities portfolio and access to its own funds received from settled deals with securities;
- ▶ Russian authorities have imposed restrictions on the repayment by Russian borrowers of credit obligations to non-resident creditors. Funds for the repayment of such obligations are credited to special Type C accounts, and the ways of using these funds are limited (Note 6). In July 2022 such restrictions related to IIB by the Russian authorities were removed;
- ▶ In order to maintain acceptable level of liquidity Bank had to sell high-quality assets, including loans to customers (Note 12) and securities at amortized cost (Note 10);
- ▶ As a result of such policies the Bank was able to maintain a relatively large cash position throughout the period and managed to speed-up the process of de-leveraging by buying back some of its debt (Note 29);
- ▶ Credit rating downgrade of Russian Federation forced Bank to charge additional ECL allowances on Russia-related counterparties (Notes 10, 12, 14). All mentioned below assets with credit rating CC are located in Russia (Notes 5, 6, 8, 10). At the moment all Russia-related counterparties perform their payments in accordance with schedules and there were no modifications to existing contracts.

Management of the Bank believes that major shareholders will provide support to the Bank if necessary aimed to strengthen its liquidity position.

(Thousands of euros)

1. Principal activities (continued)**Member countries of the Bank**

The member countries of the Bank include (share in the paid-in capital of the Bank, %):

<i>Member countries</i>	<i>30 June 2022, %</i>	<i>31 December 2021, %</i>
Russian Federation	47.205	47.456
Hungary	17.269	17.360
Republic of Bulgaria	9.881	9.933
Czech Republic	8.750	8.797
Slovak Republic	6.759	6.795
Romania	6.112	6.144
Republic of Cuba	1.934	1.688
Mongolia	1.231	0.963
Socialist Republic of Vietnam	0.859	0.864
	100.000	100.000

Conditions of the Bank's financial and business operations in the member countries

In its member countries, the Bank is not subject to taxation and enjoys all privileges available to diplomatic representations.

The Bank is not subject to regulation by the Central Banks of the member countries, including the country of residence.

Business environment in the member countries

Economic and political development of the Bank's member countries affects the activities of enterprises operating in these countries. Considering this fact, the Bank performs its operations with reference to the local specifics of its member countries to ensure overall assessment and control of credit and operational risks.

The accompanying interim condensed separate financial statements reflect the management's assessment of the impact of the member countries' business environment on the results of operations and financial position of the Bank. Future evolution of the conditions in which the Bank operates may differ from the assessment made by the management for the purposes of these interim condensed separate financial statements.

2. Basis of preparation**General**

The Bank, as a parent company, prepares the interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") approved by the International Accounting Standards Board. The consolidated financial statements of the IIB Group for the six months ended 30 June 2022 was signed and authorized for release on behalf of the Management Board of the Bank on 15 February 2023.

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

The interim condensed separate financial statements have been prepared on a going concern assumption. The interim condensed separate financial statements do not include all the information and disclosures required in the annual separate financial statements, and should be read in conjunction with the Bank's annual separate financial statements as at 31 December 2021.

(Thousands of euros)

2. Basis of preparation (continued)

Subsidiary

As at 30 June 2022, the Bank is parent company of the Group, which owns JSC IIB Capital (the Bank's 100% subsidiary) established in 2012 to deal with issues related to IIB activities in Russia including provision of trustee services to the Bank. As at 30 June 2022, the authorized capital of the subsidiary amounted to RUB 44.5 thousand (31 December 2021: RUB 44.5 thousand), which is equivalent to EUR 1.1 thousand at the historical exchange rate at the date of establishment.

Basis of measurement

These interim condensed separate financial statements have been prepared under the historical cost convention with the exception of the financial instruments under fair value convention, the changes of which are translated through profit or loss account for the period, financial instruments at fair value through other comprehensive income and buildings in the property, equipment and investment property stated at revalued amounts.

Functional and presentation currency

The euro ("EUR") is the Bank's functional and presentation currency as it reflects the economic substance of the underlying operations conducted by the Bank and circumstances affecting its operations, because most financial assets and financial liabilities as well as income and expenses of the Bank are denominated in EUR.

These interim condensed separate financial statements are presented in thousands of euro (EUR), unless otherwise indicated.

3. Summary of accounting policies

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Bank's annual separate financial statements for the year ended 31 December 2021.

4. Significant accounting judgments and estimates

Assumptions and estimation uncertainty

In the process of applying the Bank's accounting policies, management has made its professional judgments, used several assumptions and estimates on determining the amounts of assets and liabilities recognized in the interim condensed separate financial statements, which have the most significant effect on the amounts recognized in the interim condensed separate financial statements and the carrying amount of assets and liabilities in the following financial year.

Estimates and assumptions are continuously assessed on the basis of management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information on significant areas of estimation uncertainty and critical judgments in applying accounting policies is presented in the following notes:

- ▶ Note 7 – Derivative financial instruments;
- ▶ Note 9 – Securities at fair value through other comprehensive income;
- ▶ Note 11 – Loans to banks;
- ▶ Note 12 – Loans to customers;
- ▶ Note 19 – Commitments and contingencies.

*(Thousands of euros)***5. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Cash on hand	820	143
Nostro accounts with banks and other financial institutions		
Credit rating from A- to A+	98,890	71,565
Credit rating from BBB- to BBB+	2,423	791
Credit rating from BB- to BB+	736	539
Credit rating CC	46,661	–
Total nostro accounts with banks and other financial institutions	148,710	72,895
Short-term deposits with banks		
Credit rating from A- to A+	23,942	–
Credit rating from BBB- to BBB+	12,720	14,769
Credit rating from BB- to BB+	–	1,317
Credit rating CC	405	–
Total short-term deposits with banks	37,067	16,086
Less: allowance for impairment cash and cash equivalents	(95)	(2)
Cash and cash equivalents	186,502	89,122

Cash and cash equivalents are neither impaired, nor past due.

An analysis of changes in the ECL allowances during the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

Allowance for ECL at 1 January 2022	2
New purchased or originated assets	40
Assets derecognized or redeemed	(8)
Changes to inputs used for ECL calculations	56
Foreign exchange differences	5
At 30 June 2022 (unaudited)	95
Allowance for ECL at 1 January 2021	–
New purchased or originated assets	1
At 30 June 2021 (unaudited)	1

(intentionally blank)

(Thousands of euros)

6. Deposits with banks and other financial institutions

Deposits with banks and other financial institutions are presented based on contractual terms and include the following items:

	<i>30 June 2022</i> <i>(unaudited)</i>	<i>31 December</i> <i>2021</i>
Restricted cash		
Credit rating CC	36,214	–
Total restricted cash	36,214	–
Term deposits up to 1 year		
Credit rating BBB-	15,847	–
Credit rating BB+	31,566	–
No credit rating	–	335
Total term deposits up to 1 year	47,413	335
Term deposits over 1 year		
Credit rating from AA- to AA+	12,070	29,780
Credit rating from A- to A+	18,190	25,880
Credit rating from BBB- to BBB+	4,440	2,966
Credit rating CC	1,256	–
Total term deposits over 1 year	35,956	58,626
Less: allowance for impairment deposits with banks and other financial institutions	(110)	–
Deposits with banks and other financial institutions	119,473	58,961

Restricted cash is funds transferred by Russian borrowers to special Type C accounts to fulfil their credit obligations to the Bank in accordance with the requirements of Russian legislation.

An analysis of changes in the ECL allowances during the six months ended 30 June 2022 (the six months ended 30 June 2021: no allowance) is as follows:

Allowance for ECL at 1 January 2022	–
New purchased or originated assets	84
Assets derecognized or redeemed	(12)
Changes to inputs used for ECL calculations	31
Foreign exchange differences	7
At 30 June 2022 (unaudited)	110

As at 30 June 2022, in addition to term deposits above EUR 34,967 thousand (31 December 2021: EUR 34,967 thousand) were due to the Bank from the Central Bank of Cuba. This amount was fully provisioned (31 December 2021: EUR 34,967 thousand).

Concentration of deposits with banks and other financial institutions

As at 30 June 2022, besides deposits with the Central Bank of Cuba, the Bank had deposits of five counterparties (31 December 2021: four counterparties) to each of them accounting for over 10% of the Bank's total deposits with banks and other financial institutions and amounting to EUR 97,688 thousand in total (31 December 2021: EUR 52,770 thousand).

7. Derivative financial instruments

The Bank performs operations with currency and other derivative financial instruments, which are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivative financial instruments have either potentially favorable terms (and are assets) or potentially unfavorable conditions (and are liabilities) as a result of fluctuations in exchange rates or other variable factors associated with these instruments. The fair value of derivative financial instruments can vary significantly depending on the potentially favorable and unfavorable conditions.

(Thousands of euros)

7. Derivative financial instruments (continued)

The table below shows the fair value of derivative financial instruments as at 30 June 2022 and 31 December 2021 and notional amounts of term contracts for the purchase and sale of foreign currency specifying contractual exchange rates.

30 June 2022						
		Nominal amount		Weighted average exchange rate	Fair value	
		Purchase	Sale		Assets	Liabilities
Derivative financial assets and liabilities at fair value through profit or loss						
Swaps	RUB 3,600,000 thousand	RUB 3,600,000 thousand	1.00	–	1,497	
	EUR 191,128 thousand	USD 216,710 thousand	1.13	–	15,647	
	EUR 45,624 thousand	HUF 16,414,000 thousand	359.70	6,967	–	
	EUR 22,436 thousand	RUB 2,000,000 thousand	89.14	–	13,059	
	CZK 900,000 thousand	EUR 36,856 thousand	24.42	–	1,846	
	RON 105,000 thousand	EUR 21,236 thousand	4.94	–	1,521	
	USD 10,000 thousand	EUR 8,440 thousand	1.18	1,300	–	
Total derivative financial assets and liabilities at fair value through profit or loss				8,267	33,570	
Derivative financial assets and liabilities designated as hedging instruments						
Swaps	HUF 23,500,000 thousand	EUR 64,898 thousand	362.11	–	10,208	
	RUB 4,000,000 thousand	EUR 49,751 thousand	80.40	–	4,835	
	CZK 1,872,000 thousand	EUR 71,843 thousand	26.06	2,583	1,531	
	RON 955,000 thousand	EUR 197,875 thousand	4.83	–	6,572	
Total derivative financial assets and liabilities designated as hedging instruments				2,583	23,146	
Derivative financial instruments				10,850	56,716	
31 December 2021						
		Nominal amount		Weighted average exchange rate	Fair value	
		Purchase	Sale		Assets	Liabilities
Derivative financial assets and liabilities at fair value through profit or loss						
Swaps	RUB 7,500,000 thousand	RUB 7,500,000 thousand	1.00	–	6,812	
	HUF12,800,000 thousand	EUR 40,851 thousand	313.33	–	5,828	
	EUR 245,749 thousand	USD 286,051 thousand	1.16	900	8,594	
	EUR 80,982 thousand	HUF 28,642,480 thousand	353.69	7,193	–	
	EUR 32,405 thousand	RON 157,499 thousand	4.86	332	146	
	HUF 11,900,000 thousand	USD 43,139 thousand	275.85	–	6,841	
	EUR 85,296 thousand	RUB 7,500,000 thousand	87.93	–	3,675	
	USD 10,000 thousand	EUR 8,440 thousand	1.18	423	–	
Forwards	EUR 32,000 thousand	USD 36,458 thousand	1.14	–	66	
Total derivative financial assets and liabilities at fair value through profit or loss				8,848	31,962	
Derivative financial assets and liabilities designated as hedging instruments						
Swaps	HUF 46,000,000 thousand	EUR 132,568 thousand	346.99	–	13,667	
	RUB 16,000,000 thousand	EUR 197,048 thousand	81.20	31	17,854	
	CZK 4,371,000 thousand	EUR 168,218 thousand	25.98	2,454	1,913	
	RON 1,145,000 thousand	EUR 236,762 thousand	4.84	–	7,936	
Total derivative financial assets and liabilities designated as hedging instruments				2,485	41,370	
Derivative financial instruments				11,333	73,332	

(Thousands of euros)

7. Derivative financial instruments (continued)

As at 30 June 2022 and 31 December 2021, the Bank has positions in the following types of derivatives:

Forwards: Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Swaps: Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified nominal amounts.

Fair value measurement is based on the corresponding forward curves that depend on exchange rates, interest rates and swap contract maturity. For the fair value of swaps, the discount rate was calculated on the basis of zero coupon yield curve and credit risk. Changes in the fair value of swaps were mainly due to the increase in the forward exchange rates of the euro to transaction currencies.

Cash flow hedge: The Bank's strategy is to apply cash flow hedge accounting to keep its foreign currency revaluation fluctuations within its established limits. Applying cash flow hedge accounting enables the Bank to reduce the cash flow fluctuations arising from foreign exchange risk on an instrument or group of instruments.

From an accounting point of view, a cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognized directly in OCI within equity (Cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in Net gains/(losses) from operation with foreign currencies and derivatives in the separate income statement.

When the hedged cash flow affects the separate income statement, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the separate income statement.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognized in OCI at that time remains in OCI and is recognized when the hedged forecast transaction is ultimately recognized in the separate income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the separate income statement.

Micro-cash flow hedges

Micro-cash flow hedge relationships relate to distinctly identifiable assets or liabilities, hedged by one, or a few, hedging instruments.

The Bank's micro-cash flow hedges consist principally of cross-currency swaps that are used to protect against exposures to variability in future interest and principal cash flows on its issued bonds due to changes in forward foreign exchange rate risk. The hedging ratio is established by matching the notional of the derivatives against the principal of the hedged issued foreign currency debt.

The Bank considers the hedge of HUF-, RON-, RUB-denominated fixed and CZK-denominated floating rate bonds as a hedge of forward foreign exchange rate risk and follows a micro cash flow hedge with the currency risk element further described in Note 24.

The corresponding line item in the separate statement of financial position, where the hedged item is recorded, is 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 fair value of the hedged items attributable to the hedged risk (e.g., changes in the forward exchange rates or interest rate risk) as represented by a hypothetical derivative. The hypothetical derivative method involves establishing a notional derivative that would be the ideal hedging instrument for the hedged exposure.

*(Thousands of euros)***7. Derivative financial instruments (continued)****Micro-cash flow hedges (continued)**

Hedge ineffectiveness can arise from:

- ▶ Differences in timing of cash flows of hedged items and hedging instruments;
- ▶ Derivatives used as hedging instruments having a non-nil fair value at the time of designation; and
- ▶ The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged items.

Considering the structure of hedge used by the Bank, the main source of ineffectiveness from the described above are differences in timing of cash flows.

Following the issue of bonds denominated in currencies other than the functional currency of the Bank (Note 17), the Bank concluded cross currency interest rate swaps and currency forwards on an arm's length basis mostly with large international credit institutions. These swaps are used to manage long-term currency risks of the Bank. Payment netting is not applied to the parties' obligations in respect of interest and principal payments.

The Bank applies hedge accounting for the forward foreign exchange risk of the bond issues (Note 17):

- ▶ In Romanian lei (RON) placed on 1 November 2019, 7 October 2020 and 19 October 2021;
- ▶ In Hungarian forint (HUF) placed on 28 September 2020 and 18 March 2021;
- ▶ In Russian ruble (RUB) placed on 29 April 2020;
- ▶ In Czech korunas (CZK) placed on 19 May 2020 and 27 September 2021.

In March 2022 net present values of derivatives hugely declined due to sharp drop of RUB/EUR rate. This situation lead to the necessity to provide additional collateral. In order to keep acceptable level of liquidity the Bank accepted initiative of two counterparties to discontinue derivative deals.

During six months 2022, hedge accounting of the following bond issues was early discontinued:

- ▶ In Romanian lei (RON) placed on 24 March 2021;
- ▶ In Hungarian forint (HUF) placed on 18 October 2019;
- ▶ In Russian ruble (RUB) placed on 29 April 2020 (partly), 19 May 2020 and 11 September 2020;
- ▶ In Czech korunas (CZK) placed on 26 April 2021.

The notional amount, recorded gross, is the amount of a derivative's underlying asset and liability and is the basis upon which changes in the value of derivatives are measured. The nominal amounts indicate the volume of transactions' outstanding at the end of the reporting period and are not indicative of the credit risk.

(intentionally blank)

(Thousands of euros)

7. Derivative financial instruments (continued)**Micro-cash flow hedges (continued)**

The below table sets out the outcome of the Bank's hedging strategy, in particular, changes in fair values of hedged items and hedging instruments and change in cash flow hedge reserve separately showing the effective and ineffective portions:

		30 June 2022 (unaudited)			
		Changes in fair value of hedging instruments used for ineffectiveness measurement		Hedge ineffectiveness identified recognized in the income statement in	
Change in fair value of hypothetical derivative used for ineffectiveness measurement	Net interest income/(expense)	Change in fair value excluding net interest income/(expense)	Effective portion of change in fair value excluding net interest income/(expense)	Net losses from operations with foreign currencies and derivatives	
Micro-cash flow hedges					
Fixed rate HUF bonds	(5,525)	581	(5,826)	(5,826)	–
Fixed rate RON bonds	(2,748)	3,376	(2,889)	(2,837)	(52)
Fixed rate RUB bonds	(70,914)	2,783	(80,889)	(79,864)	(1,025)
Fixed rate CZK bonds	946	705	983	983	–
Floating rate CZK bonds	422	562	61	61	–
Floating rate RON bonds	(216)	284	(68)	(68)	–
	(78,035)	8,291	(88,628)	(87,551)	(1,077)
		30 June 2021 (unaudited)			
		Changes in fair value of hedging instruments used for ineffectiveness measurement		Hedge ineffectiveness identified recognized in the income statement in	
Change in fair value of hypothetical derivative used for ineffectiveness measurement	Net interest income/(expense)	Change in fair value excluding net interest income/(expense)	Effective portion of change in fair value excluding net interest income/(expense)	Net losses from operations with foreign currencies and derivatives	
Micro-cash flow hedges					
Fixed rate HUF bonds	3,301	660	3,415	3,331	83
Fixed rate RON bonds	(3,341)	2,619	(3,440)	(3,440)	–
Fixed rate RUB bonds	2,895	4,798	2,303	2,635	(332)
Fixed rate CZK bonds	942	260	1,027	916	111
Floating rate CZK bonds	685	33	712	712	–
Floating rate RON bonds	(323)	255	(349)	(349)	–
	4,159	8,625	3,668	3,805	(138)

(Thousands of euros)

7. Derivative financial instruments (continued)**Micro-cash flow hedges (continued)**

The breakdown of cash flow hedge reserve movements during the year as follows:

	30 June 2022 (unaudited)				
	<i>Opening balance of cash flow hedge reserve as at 1 January 2022</i>	<i>Foreign currency revaluation of hedged item</i>	<i>Change in fair value of hedging instruments excluding net interest income/(expense)</i>	<i>Write-off of cash flow hedge reserve on discontinued hedge relationships</i>	<i>Closing balance of cash flow hedge reserve as at 30 June 2022</i>
Fixed rate HUF bonds	(5,571)	4,603	(5,826)	1,649	(5,145)
Fixed rate RON bonds	(3,244)	(269)	(2,837)	–	(6,350)
Fixed rate RUB bonds	(13,711)	27,101	(79,864)	7,780	(58,694)
Fixed rate CZK bonds	(7,014)	(306)	983	641	(5,696)
Floating rate CZK bonds	(66)	(123)	61	–	(128)
Floating rate RON bonds	(186)	(14)	(68)	76	(192)
	(29,792)	30,992	(87,551)	10,146	(76,205)

	30 June 2021 (unaudited)				
	<i>Opening balance of cash flow hedge reserve as at 1 January 2021</i>	<i>Foreign currency revaluation of hedged item</i>	<i>Change in fair value of hedging instruments excluding net interest income/(expense)</i>	<i>Write-off of cash flow hedge reserve on discontinued hedge relationships</i>	<i>Closing balance of cash flow hedge reserve as at 30 June 2021</i>
Fixed rate HUF bonds	227	(5,023)	3,331	–	(1,465)
Fixed rate RON bonds	2,463	1,889	(3,440)	–	912
Fixed rate RUB bonds	(2,758)	(9,867)	2,635	–	(9,990)
Fixed rate CZK bonds	–	(1,553)	916	–	(637)
Floating rate CZK bonds	(180)	(670)	712	–	(138)
Floating rate RON bonds	–	341	(349)	–	(8)
	(248)	(14,883)	3,805	–	(11,326)

(Thousands of euros)

7. Derivative financial instruments (continued)**Micro-cash flow hedges (continued)**

As at 30 June 2022 change in fair value of hypothetical derivatives for the reporting period used for ineffectiveness measurement was EUR (78,035) thousand (30 June 2021: EUR 4,159 thousand), change in fair value of hedging instruments used for ineffectiveness measurement was EUR (87,551) thousand (30 June 2021: EUR 3,805 thousand) and was presented in OCI in "Net unrealized losses on cash flow hedges". During six months 2022 change in fair value of hedged item of EUR 30,992 thousand (six months 2021: EUR (14,883) thousand) was reclassified from "Net unrealized losses on cash flow hedges" into "Net losses from operations with foreign currencies and derivatives". Loss on write-off of cash flow hedge reserve on early discontinued hedging relationships of EUR (10,146) was presented in "Net losses from operations with foreign currencies and derivatives" (six months 2021: nil).

The following table shows the maturity and interest rate risk profiles of the Bank's hedging instruments used in its cash flow hedges. As the Bank applies one-to-one hedging ratios, the below table effectively shows the outcome of the cash flow hedges:

	30 June 2022 (unaudited)			31 December 2021		
	3 months to 1 year	1 to 5 years	Total	3 months to 1 year	1 to 5 years	Total
Micro-cash flow hedges						
Cross currency interest rate swaps						
Notional principal		64,898	64,898	67,669	64,899	132,568
Average interest rate		0.54%	0.54%	0.45%	0.54%	0.49%
Average HUF/EUR rate		362.10	362.10	332.50	362.10	346.99
Notional principal	105,122	92,753	197,875	105,122	131,640	236,762
Average interest rate	0.65%	0.20%	0.44%	0.28%	0.13%	0.21%
Average RON/EUR rate	4.76	4.91	4.83	4.76	4.90	4.84
Notional principal		49,751	49,751		197,048	197,048
Average interest rate		2.33%	2.33%		1.48%	1.48%
Average RUB/EUR rate		80.40	80.40		81.20	81.20
Notional principal	22,582	49,262	71,844		168,218	168,218
Average interest rate	1.39%	(0.03)%	0.42%		0.10%	0.10%
Average CZK/EUR rate	27.50	25.40	26.06		27.50	27.50

8. Investments at fair value through profit or loss

Investments at fair value through profit or loss comprise:

	30 June 2022 (unaudited)	31 December 2021
Owned by the Bank		
Corporate bonds		
Credit rating BBB	—	8,462
Credit rating C	13,006	—
Corporate bonds	13,006	8,462
Other investments		
Investments in the fund	3,806	3,251
Other investments	3,806	3,251
Total investments at fair value through profit or loss	16,812	11,713

(Thousands of euros)

9. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income comprise:

	<i>30 June 2022</i> <i>(unaudited)</i>	<i>31 December</i> <i>2021</i>
<i>Owned by the Bank</i>		
Listed debt securities at fair value through other comprehensive income		
Government bonds of member countries		
<i>Credit rating from BBB- to BBB+</i>	3,641	–
Government bonds of non-member countries		
<i>Credit rating from AA- to AA+</i>	9,342	17,191
<i>Credit rating from A- to A+</i>	13,489	–
<i>Credit rating from BBB- to BBB+</i>	3,388	2,216
<i>Credit rating from BB- to BB+</i>	14,699	18,978
Government bonds	44,559	38,385
Corporate bonds		
<i>Credit rating AAA</i>	32,477	39,661
<i>Credit rating from AA- to AA+</i>	27,594	62,991
<i>Credit rating from A- to A+</i>	22,373	53,664
<i>Credit rating from BBB- to BBB+</i>	41,870	13,788
<i>Credit rating from BB- to BB+</i>	10,002	10,003
Corporate bonds	134,316	180,107
Total listed debt securities at fair value through other comprehensive income	178,875	218,492
Securities at fair value through other comprehensive income	178,875	218,492
	<i>30 June 2022</i> <i>(unaudited)</i>	<i>31 December</i> <i>2021</i>
<i>Pledged under repurchase agreements</i>		
Listed debt securities at fair value through other comprehensive income		
Corporate bonds		
<i>Credit rating AAA</i>	–	17,562
Corporate bonds	–	17,562
Total listed debt securities at fair value through other comprehensive income pledged under repurchase agreements	–	17,562

In the 6 months 2022 in order to cover urgent liquidity needs, the Bank had to sell securities in the amount EUR-equivalent 61,110 thousand with a financial result of EUR (516) thousand.

Movements in the ECL related to securities at fair value through other comprehensive income for the six months ended 30 June 2022 and for the six months ended 30 June 2021 are as follows:

Allowance for ECL at 1 January 2022	123
New purchased or originated assets	20
Assets derecognized or redeemed	(70)
Changes to inputs used for ECL calculations	98
Foreign exchange differences	20
At 30 June 2022 (unaudited)	191
Allowance for ECL at 1 January 2021	161
New purchased or originated assets	41
Assets derecognized or redeemed	(127)
Changes to inputs used for ECL calculations	22
Foreign exchange differences	2
At 30 June 2021 (unaudited)	99

(Thousands of euros)

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

Government bonds comprise EUR-, USD- and RUB- denominated securities issued and guaranteed by the Ministries of Finance of the countries. The bonds mature in 2024-2030 (31 December 2021: maturing in 2024-2028). The annual coupon rate for these bonds varies from 0.13 to 7.5% (31 December 2021: from 1.0% to 7.5%).

Corporate bonds comprise bonds issued by large companies and banks of the member countries of the Bank, as well as international companies and development banks with goals and missions similar to those of the Bank. The bonds mature in 2022-2028 (31 December 2021: maturing in 2022-2028). The annual coupon rate for these bonds varies from 0.3% to 8.0% (31 December 2021: from 0.0% to 8.0%).

10. Securities at amortized cost

Securities at amortized cost comprise:

	<i>30 June 2022</i> <i>(unaudited)</i>	<i>31 December</i> <i>2021</i>
<i>Owned by the Bank</i>		
Corporate bonds		
Credit rating AAA	23,849	22,038
Credit rating AA	19,047	19,116
Credit rating BBB	–	45,686
Credit rating C	20,879	–
Corporate bonds	63,775	86,840
Less: allowance for impairment securities at amortized cost	(1,112)	(59)
Listed debt securities at amortized cost	62,663	86,781

To support liquidity position the Bank disposed part of securities with effect EUR (1,855) thousand.

Movements in the ECL related to securities at amortized cost for the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

Allowance for ECL at 1 January 2022	59
New purchased or originated assets	25
Assets derecognized or redeemed	(42)
Changes to inputs used for ECL calculations	1,069
Foreign exchange differences	1
At 30 June 2022 (unaudited)	1,112
Allowance for ECL at 1 January 2021	65
New purchased or originated assets	41
Assets derecognized or redeemed	(47)
Foreign exchange differences	2
At 30 June 2021 (unaudited)	61

Corporate bonds comprise investment grade bonds issued by large companies and banks of the member countries of the Bank, as well as international companies and development banks with goals and missions similar to those of the Bank. The bonds mature in 2025-2029 (31 December 2021: 2024-2029). The coupon rate for these bonds varies from 0.6% to 2.2% (31 December 2021: 0.6% to 2.2%).

(intentionally blank)

(Thousands of euros)

11. Loans to banks

In 2022, the Bank continued its lending activities, being guided by the key priorities of the Development Strategy of the IIB. The principal lending activity is to participate in financing of socially important infrastructure projects and to facilitate the development of small and medium-sized businesses and foreign trade in the member countries. The Bank considers national development institutes, export and import banks and agencies, international financial organizations and development banks as its key business partners.

In six months 2022 and year 2021, the Bank provided trade financing loans and long-term loans to borrowers operating in the following countries (all relates to 1st Stage):

	30 June 2022 (unaudited)	31 December 2021
Trade financing loans		
Mongolia	1,139	2,438
Trade financing loans	1,139	2,438
Long-term loans to banks		
Republic of Cuba	50,177	50,250
Mongolia	40,089	38,138
Socialist Republic of Vietnam	27,399	31,253
Long-term loans to banks	117,665	119,641
Less: allowance for impairment of loans to banks	(1,239)	(3,145)
Loans to banks	117,565	118,934

Movements in the ECL related to trade financing loans for the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

Trade financing loans	Stage 1	Total
Allowance for ECL at 1 January 2022	27	27
New purchased or originated assets	28	28
Assets derecognized or redeemed (excluding write-offs)	(54)	(54)
Foreign exchange differences	1	1
At 30 June 2022 (unaudited)	2	2
Trade financing loans	Stage 1	Total
Allowance for ECL at 1 January 2021	42	42
New purchased or originated assets	54	54
Assets derecognized or redeemed (excluding write-offs)	(45)	(45)
Changes to models and inputs used for ECL calculations	2	2
At 30 June 2021 (unaudited)	53	53

(intentionally blank)

*(Thousands of euros)***11. Loans to banks (continued)**

Movements in the ECL related to long-term loans to banks for the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

<i>Long-term loans to banks</i>	<i>Stage 1</i>	<i>Total</i>
Allowance for ECL at 1 January 2022	3,118	3,118
New purchased or originated assets	62	62
Assets derecognized or redeemed (excluding write-offs)	(856)	(856)
Changes to inputs used for ECL calculations	(1,208)	(1,208)
Foreign exchange differences	121	121
At 30 June 2022 (unaudited)	1,237	1,237

<i>Long-term loans to banks</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Total</i>
Allowance for ECL at 1 January 2021	1,575	306	1,881
New purchased or originated assets	236	—	236
Assets derecognized or redeemed (excluding write-offs)	(450)	(31)	(481)
Changes to inputs used for ECL calculations	151	249	400
Foreign exchange differences	43	—	43
At 30 June 2021 (unaudited)	1,555	524	2,079

As at 30 June 2022, there were no overdue loans to banks (31 December 2021: no overdue).

Modified and restructured loans to banks

For the six months 2022, there were no modifications of a loan agreement to bank (In 2021: there were modifications of a loan agreement to bank that resulted in derecognition of old loan and initial recognition of new loan, the Bank considered effect from these modifications to be insignificant).

(intentionally blank)

*(Thousands of euros)***11. Loans to banks (continued)****Allowance for impairment of loans to banks**

A reconciliation of the allowance for ECL related to the impairment of loans to banks by country for the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

	<i>Mongolia</i>	<i>Socialist Republic of Vietnam</i>	<i>Republic of Cuba</i>	<i>Total</i>
Allowance for ECL at 1 January 2022	1,022	537	1,586	3,145
Net reversal of impairment allowance for ECL during the year	(519)	(294)	(1,215)	(2,028)
Foreign exchange differences	82	40	–	122
At 30 June 2022 (unaudited)	585	283	371	1,239

	<i>Mongolia</i>	<i>Socialist Republic of Vietnam</i>	<i>Republic of Cuba</i>	<i>Other</i>	<i>Total</i>
Allowance for ECL at 1 January 2021	501	806	587	29	1,923
Net (reversal)/charge of impairment allowance for ECL during the year	41	(240)	376	(13)	164
Foreign exchange differences	17	28	–	–	45
At 30 June 2021 (unaudited)	559	594	963	16	2,132

(intentionally blank)

(Thousands of euros)

11. Loans to banks (continued)**Analysis of collateral for loans to banks**

The following table provides an analysis of the portfolio of trade financing loans and long-term loans to banks by type of collateral as at 30 June 2022 and 31 December 2021.

	30 June 2022 (unaudited)		31 December 2021	
	<i>Loans to banks, net of allowance for impairment</i>	<i>Share in the total loans, %</i>	<i>Loans to banks, net of allowance for impairment</i>	<i>Share in the total loans, %</i>
State guarantees	49,806	42.4	48,664	40.9
Uncollateralized part of the loans	67,759	57.6	70,270	59.1
Loans to banks	117,565	100.0	118,934	100.0

The amounts shown in the table above represent the carrying amount of the portfolio of long-term loans to banks and do not necessarily represent the fair value of the collateral.

Concentration of long-term loans to banks

As at 30 June 2022, long-term loans and trade financing loans to five banks (31 December 2021: five banks) with a total amount of loans to each of them exceeding 10% of total loans to banks were recorded on the Bank's separate statement of financial position. As at 30 June 2022, the total amount of such major loans was EUR 106,738 thousand (31 December 2021: EUR 110,678 thousand) and allowances of EUR 1,091 thousand (31 December 2021: EUR 2,884 thousand) were made for them.

12. Loans to customers

The Bank issued loans to customers domiciled in the following countries:

	30 June 2022 (unaudited)	31 December 2021
Owned by the Bank		
Loans to customers at amortized cost		
Russian Federation	307,310	229,767
Romania	103,306	114,119
Republic of Bulgaria	66,587	80,188
Hungary	61,573	100,463
Republic of Panama	30,805	28,032
Mongolia	29,549	59,623
Republic of Ecuador	25,295	22,501
Kingdom of the Netherlands	24,448	68,124
Socialist Republic of Vietnam	16,865	24,319
Republic of Italy	15,131	—
The Kingdom of Spain	15,063	25,106
Czech Republic	15,062	15,036
Cyprus	10,803	11,724
Federal Republic of Germany	10,203	50,206
Slovak Republic	295	90,066
Grand Duchy of Luxembourg	—	40,060
USA	—	1,701
Total loans to customers at amortized cost	732,295	961,035
Loans to customers at fair value through other comprehensive income		
Republic of Bulgaria	20,822	24,802
Romania	19,437	24,136
Republic of Ireland	13,773	18,134
Slovak Republic	—	14,850
Total loans to customers at fair value through other comprehensive income	54,032	81,922
Less: allowance for impairment of loans to customers	(48,453)	(9,432)
Loans to customers	737,874	1,033,525

(Thousands of euros)

12. Loans to customers (continued)

Loans to customers at fair value through other comprehensive income comprise of loans with the legal form of corporate bonds.

	<i>30 June 2022</i> <i>(unaudited)</i>	<i>31 December</i> <i>2021</i>
<i>Pledged under repurchase agreements</i>		
Loans to customers at fair value through other comprehensive income		
Hungary	—	40,750
Total loans to customers at fair value through other comprehensive income pledged under repurchase agreements	—	40,750
Less: allowance for impairment of loans to customers	—	—
Loans to customers pledged under repurchase agreements	—	40,750

Loans to customers at fair value through other comprehensive income that are pledged under repurchase agreements comprise of loans with the legal form of bonds.

In the 6 months 2022 in order to cover urgent liquidity needs, the Bank had to sell loans to customers at amortized cost in the amount of EUR-equivalent 341,847 thousand with a financial result of EUR (27,387) thousand and loans to customers at fair value through other comprehensive income in the amount of EUR-equivalent 76,066 thousand with a financial result of EUR (9,481) thousand.

Movements in the ECL related to loans to customers at amortized cost for the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

<i>Loans to customers at amortized cost</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Allowance for ECL at 1 January 2022	3,023	1,142	5,267	9,432
New purchased or originated assets	6,148	605	124	6,877
Assets derecognized or redeemed (excluding write-offs)	(3,767)	(21)	(20)	(3,808)
Changes to contractual cash flows due to modifications not resulting in derecognition	141	—	—	141
Changes to inputs used for ECL calculations	4,564	7,250	15,224	27,038
Foreign exchange differences	1,700	5,588	1,485	8,773
At 30 June 2022 (unaudited)	11,809	14,564	22,080	48,453

There were no transfer of loans to customers at amortized cost to Stage 2 during the six months ended 30 June 2022 because there was no significant deterioration in their financial position or repayment discipline.

<i>Loans to customers at amortized cost</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Allowance for ECL at 1 January 2021	3,657	293	2,456	6,406
New purchased or originated assets	1,192	1	56	1,249
Assets derecognized or redeemed (excluding write-offs)	(1,950)	—	—	(1,950)
Changes to inputs used for ECL calculations	413	—	11	424
Foreign exchange differences	51	—	83	134
At 30 June 2021 (unaudited)	3,363	294	2,606	6,263

(intentionally blank)

*(Thousands of euros)***12. Loans to customers (continued)**

Movements in the ECL related to loans to customers at fair value through other comprehensive income for the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

<i>Loans to customers at fair value through other comprehensive income</i>	<i>Stage 1</i>	<i>Total</i>
Allowance for ECL at 1 January 2022	397	397
New purchased or originated assets	8	8
Assets derecognized or redeemed (excluding write-offs)	(187)	(187)
Changes to inputs used for ECL calculations	275	275
Foreign exchange differences	15	15
At 30 June 2022 (unaudited)	508	508
<i>Loans to customers at fair value through other comprehensive income</i>	<i>Stage 1</i>	<i>Total</i>
Allowance for ECL at 1 January 2021	161	161
New purchased or originated assets	450	450
Assets derecognized or redeemed (excluding write-offs)	(310)	(310)
Changes to inputs used for ECL calculations	50	50
Foreign exchange differences	7	7
At 30 June 2021 (unaudited)	358	358

The information on overdue loans to customers as at 30 June 2022 and 31 December 2021 is provided below:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Total loans with overdue principal and/or interest	30,805	28,032
Less: allowance for impairment of loans to customers	(22,080)	(5,267)
Overdue loans to customers	8,725	22,765

For the purposes of these interim condensed separate financial statements, a loan to a customer is considered overdue if at least one of the loan-related payments is past due at the reporting date. In this case, the amount of the overdue loan is the total amount due from the borrower, including the accrued interest income.

Modified and restructured loans to customers

For the six months 2022, the Bank has modified the terms and conditions of several loans to customers however effect from these modifications was insignificant (2021: has several modified however effect from these modifications was insignificant).

(intentionally blank)

*(Thousands of euros)***12. Loans to customers (continued)****Allowance for impairment of loans to customers**

A reconciliation of the allowance for ECL related to the impairment of loans to customers by country for the six months ended 30 June 2022 and the six months ended 30 June 2021 is as follows:

	<i>Russian Federation</i>	<i>Republic of Bulgaria</i>	<i>Romania</i>	<i>Slovak Republic</i>	<i>Hungary</i>	<i>Czech Republic</i>	<i>Mongolia</i>	<i>Socialist Republic of Vietnam</i>	<i>Other</i>	<i>Total</i>
Allowance for ECL at 1 January 2022	1,394	78	196	294	96	13	999	454	5,908	9,432
Net (reversal)/charge of impairment allowance for ECL during the year	15,069	(16)	123	–	165	14	(92)	(379)	15,364	30,248
Foreign exchange differences	7,263	–	–	–	(4)	–	3	24	1,487	8,773
At 30 June 2022 (unaudited)	23,726	62	319	294	257	27	910	99	22,759	48,453

	<i>Russian Federation</i>	<i>Republic of Bulgaria</i>	<i>Romania</i>	<i>Slovak Republic</i>	<i>Hungary</i>	<i>Mongolia</i>	<i>Socialist Republic of Vietnam</i>	<i>Other</i>	<i>Total</i>
Allowance for ECL at 1 January 2021	577	159	172	367	77	1,121	757	3,176	6,406
Net (reversal)/charge for impairment allowance for ECL during the period	(3)	12	(28)	(73)	16	164	(276)	(89)	(277)
Foreign exchange differences	18	–	(2)	–	1	8	25	84	134
At 30 June 2021 (unaudited)	592	171	142	294	94	1,293	506	3,171	6,263

(intentionally blank)

*(Thousands of euros)***12. Loans to customers (continued)****Analysis of collateral for loans to customers**

The following table provides an analysis of the customer loan portfolio, net of allowance for impairment, by types of collateral as at 30 June 2022 and 31 December 2021:

	30 June 2022 (unaudited)		31 December 2021	
	<i>Loans to customers less impairment allowance</i>	<i>Share in the total loans, %</i>	<i>Loans to customers less impairment allowance</i>	<i>Share in the total loans, %</i>
Pledge of real property (mortgage) and title	150,866	20.4	126,675	11.8
Pledge of shares	51,250	6.9	58,539	5.4
Corporate guarantees	36,304	4.9	42,724	4.0
State guarantees	31,374	4.3	45,235	4.2
Pledge of equipment and goods in turnover	24,579	3.3	97,956	9.1
Pledge of rights of claim	17,351	2.4	17,961	1.7
Pledge of vehicles	11,735	1.6	7,570	0.7
Uncollateralized part of the loans	414,415	56.2	677,615	63.1
Loans to customers	737,874	100.0	1,074,275	100.0

The amounts shown in the table above represent the carrying amount of the customer loan portfolio and do not necessarily represent the fair value of the collateral. As at 30 June 2022, the Bank has not recognized a loss allowance of loans to eight borrowers (31 December 2021: ten borrowers) because of the collateral. These loans comprised EUR 57,787 thousand (31 December 2021: EUR 155,473 thousand) in total.

Concentration of loans to customers

As at 30 June 2022, the Bank has one loan to customer (31 December 2021: no loans) with a total amount exceeding 10% of total loans to customers were recorded on the Bank's separate statement of financial position. As at 30 June 2022, the total amount of such major loans was EUR 111,388 thousand (31 December 2021: no loans) and allowances of EUR 4,324 thousand (31 December 2021: no loans) were made for them.

(intentionally blank)

*(Thousands of euros)***12. Loans to customers (continued)****Analysis of loans to customers by industry**

The Bank issued loans to borrowers operating in the following industries:

	30 June 2022 (unaudited)	31 December 2021
Leasing	217,905	174,641
Production and transmission of electricity and gas	170,891	310,967
Financial services	100,599	102,085
Real estate	57,390	56,155
Food and beverage	43,091	33,909
Retail	27,529	27,478
Automobile industry	25,265	75,312
Textile manufacture	22,021	30,075
Metallurgic industry	21,323	23,442
Television and radio	17,671	18,067
Production of vehicles	15,131	–
Agriculture	15,088	16,229
Manufacturing of electrical equipment	15,062	15,036
Communications	12,109	40,231
Software engineering	10,803	11,724
Water collection, treatment and supply	6,991	4,918
Postal activities	4,393	4,142
Manufacturing of paper and paper products	3,065	3,330
Manufacturing of refined oil products	–	60,846
Public health	–	40,060
Mining	–	21,120
Production of pharmaceutical products	–	11,903
Land transport	–	2,037
	786,327	1,083,707
Less: allowance for impairment of loans to customers	(48,453)	(9,432)
Loans to customers	737,874	1,074,275

The borrowers operating in the financial services industry are represented by special purposes entities financing and developing projects on the territories of other countries.

13. Other assets and liabilities

Other assets comprise:

	30 June 2022 (unaudited)	31 December 2021
Financial assets		
Settlements on bank transactions	407	341
Accounts receivable on business operations	357	471
Guarantee payments	4	4
Other financial assets	7	487
	775	1,303
Less allowance for impairment of financial assets	(176)	(154)
Total financial assets	599	1,149
Non-financial assets		
Total non-financial assets	1,534	1,359
Other assets	2,133	2,508

(Thousands of euros)

13. Other assets and liabilities (continued)

An analysis of changes in the ECL allowances during the six months ended 30 June 2022 and six months ended 30 June 2021 are as follows:

<i>Financial assets</i>	<i>Total</i>
Allowance for ECL at 1 January 2022	154
New purchased or originated assets	14
Assets derecognized or redeemed (excluding write-offs)	(8)
Foreign exchange differences	16
At 30 June 2022 (unaudited)	176

<i>Financial assets</i>	<i>Total</i>
Allowance for ECL at 1 January 2021	142
New purchased or originated assets	2
Assets derecognized or redeemed (excluding write-offs)	(2)
Foreign exchange differences	5
At 30 June 2021 (unaudited)	147

Other liabilities comprise:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Financial liabilities		
Other accounts payable on business operations	2,428	3,145
Other accounts payable on bank transactions	136	610
Total financial liabilities	2,564	3,755
Non-financial liabilities		
Settlements with employees	1,148	8,943
Allowance for ECL on credit-related commitments	506	905
Other non-financial liabilities	60	269
Total non-financial liabilities	1,714	10,117
Other liabilities	4,278	13,872

The Bank applies IAS 19 *Employee Benefits* to account for its pension liabilities. As at 30 June, the Bank had a defined benefit plan including two subprograms – compulsory and voluntary. The compulsory insurance subprogram applies to all employees of the Bank. Pursuant to the regulation, benefits under the compulsory subprogram are made of contributions calculated as a certain fixed percentage of the employee's salary. Employees can join the voluntary insurance subprogram any time at their convenience, and have the right to withdraw any time. Under the program, the Bank co-finances employees' contributions. The voluntary part of the Bank's contributions depends on the related voluntary contributions made by the employee and may not exceed a certain percentage of the employee's salary. As at 1 March 2022, the Bank put on hold a defined benefit plan and paid all pension liabilities in full. As at 31 March 2022, the Bank renewed a compulsory subprogram only. As at 1 May 2022, the Bank also renewed a voluntary subprogram.

As at 30 June 2022, pension liabilities of EUR 227 thousand (31 December 2021: EUR 5,807 thousand, were included in non-financial liabilities (settlements with employees)) in the interim separate statement of financial position. Pension expenses for six months ended 30 June 2022 in the amount of EUR 465 thousand (six months ended 30 June 2021: EUR 689 thousand) were recorded in the separate income statement principally as "Employee compensations and employment taxes" within "General and administrative expenses".

(Thousands of euros)

14. Allowances for expected credit losses

The table below shows (decrease)/increase of allowances for ECL on financial instruments recorded in profit or loss for the six months ended 30 June 2022 and 30 June 2021.

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	5	88	–	–	88
Deposits with banks and other financial institutions	6	103	–	–	103
Securities at fair value through other comprehensive income	9	48	–	–	48
Securities at amortized cost	10	1,052	–	–	1,052
Loans to banks	11	(2,028)	–	–	(2,028)
Loans to customers	12	7,182	7,834	15,328	30,344
Financial assets	13	4	2	–	6
Non-financial liabilities (allowance for ECL on credit-related commitments)	13, 19	(471)	–	–	(471)
Total allowance for ECL for the six months ended 30 June 2022 (unaudited)		5,978	7,836	15,328	29,142
	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	5	1	–	–	1
Securities at fair value through other comprehensive income	9	(64)	–	–	(64)
Securities at amortized cost	10	(6)	–	–	(6)
Loans to banks	11	(52)	218	–	166
Loans to customers	12	(154)	1	66	(87)
Non-financial liabilities (allowance for ECL on credit-related commitments)	13, 19	(231)	–	–	(231)
Total allowance for ECL for the six months ended 30 June 2021 (unaudited)		(506)	219	66	(221)

Movements in allowances for ECL on financial instruments for the six months ended 30 June 2022 and the six months ended 30 June 2021 were as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Allowance for ECL at 1 January 2022	7,658	1,142	40,384	49,184
New purchased or originated assets	6,873	607	124	7,604
Assets derecognized or redeemed (excluding write-offs)	(6,037)	(21)	(20)	(6,078)
Changes to contractual cash flows due to modifications not resulting in derecognition	141	–	–	141
Changes to inputs used for ECL calculations	5,001	7,250	15,224	27,475
Translation differences	1,943	5,589	1,499	9,031
At 30 June 2022 (unaudited)	15,579	14,567	57,211	87,357
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Allowance for ECL at 1 January 2021	6,575	666	37,561	44,802
New purchased or originated assets	2,065	1	56	2,122
Assets derecognized or redeemed (excluding write-offs)	(3,210)	(31)	–	(3,241)
Changes in models and inputs used for ECL assessment	638	249	11	898
Translation differences	115	–	88	203
At 30 June 2021 (unaudited)	6,183	885	37,716	44,784

(Thousands of euros)

15. Due to banks and other financial institutions

Due to banks and other financial institutions are presented based on contractual terms and include the following items:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Due to banks up to 1 year		
Term deposits of banks and other financial institutions	–	64,409
Total due to banks up to 1 year	–	64,409
Due to banks over 1 year		
Repurchase agreements	–	53,526
Total due to banks over 1 year	–	53,526
Due to banks and other financial institutions	–	117,935

Concentration of deposits from banks and other financial institutions

As at 31 December 2021 Bank has four counterparties each accounting for over 10% of the Bank's total deposits from banks and other financial institutions in the total amount of EUR 117,526 thousand.

16. Long-term loans of banks

Long-term loans of banks comprise:

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans of banks	49,317	45,749
SSD	–	17,034
Long-term loans of banks	49,317	62,783

On 19 March 2018, the Bank received the first tranche from the BRICS New Development Bank in the amount of USD 12.5 million (EUR 10,273 thousand) under the loan agreement of USD 50.0 million. On 17 July 2018, the Bank received the second tranche in the amount of USD 12.5 million (EUR 10,674 thousand). On 6 August 2019, the Bank received the third tranche in the amount of USD 12.5 million (EUR 11,147 thousand). On 23 March 2020, the Bank received the fourth and final tranche in the amount of USD 12.5 million (EUR 11,681 thousand).

On 2 December 2021, the Bank received the first tranche from the KDB Bank in the amount of HUF 808.0 million (EUR 2,227 thousand) under the loan agreement of HUF 5.8 billion. On 17 January 2022, the Bank received the second tranche in the amount of HUF 1,100.0 million (EUR 3,085 thousand).

In 2017, the Bank issued SSD debentures (Schuldscheindarlehen) in the Western European market in the total amount of EUR 23,000 thousand. On 29 April 2022 the Bank repaid SSD in full.

17. Debt securities issued

Debt securities issued comprise:

	<i>Interest rate, % p.a.</i>	<i>Maturity</i>	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
RUB-denominated bonds	0.01-7.75	2023-2027	480,312	309,751
RON-denominated bonds	3.39-6.83	2022-2025	276,032	249,830
CZK-denominated bonds	1.50-7.01	2023-2027	213,510	176,501
EUR-denominated bonds	0.00-0.95	2023-2041	104,627	104,752
HUF-denominated bonds	1.25-2.25	2022-2024	87,887	193,105
Debt securities issued			1,162,368	1,033,939

*(Thousands of euros)***17. Debt securities issued (continued)**

On 12 May 2022, under put option the Bank bought back HUF denominated bonds in the amount of HUF 11,665 million (EUR 28,978 thousand).

On 22 March 2022, the Bank repaid bonds in amount HUF 24,700 million (EUR 66,130 thousand).

On 27 January 2022, the Bank issued CZK 900 million (EUR 36,581 thousand) under MTN Programme with the maturity of 5 years, coupon of 4% p.a. Bonds were listed on the Euronext Dublin.

On 27 January 2022, the Bank issued RON 105 million (EUR 21,170 thousand) under MTN Programme with 3-year maturity, coupon of 4.95%. Bonds were listed on the Euronext Dublin.

On 19 October 2021, the Bank issued RON 200 million (EUR 40,378 thousand) under MTN Programme with the maturity of 2 years, coupon of 3.9% p.a. Bonds were listed on the Euronext Dublin.

On 15 October 2021, the Bank issued EUR 50 million under MTN Programme with 2-year maturity, coupon of 0.0% and yield of -0.02%. Bonds were listed on the Euronext Dublin.

On 15 October 2021, the Bank had repaid its EUR 80 million and RON 300 million (EUR 60,610 thousand) 3-year bonds, which were listed on Bucharest Stock Exchange.

On 27 September 2021, the Bank issued bonds under MTN program in the amount of CZK 1,251 million (EUR 48,270 thousand) with the maturity of 2.5 years with the coupon of 1.5% p.a. Bonds were listed on the Euronext Dublin.

On 29 April 2021, the Bank repaid bonds in amount RON 110,000 thousand (EUR 22,319 thousand).

On 26 April 2021, the Bank repaid bonds in amount CZK 1,500 million (EUR 58,043 thousand) and issued bonds under MTN program in the amount of CZK 2,499 million (EUR 96,556 thousand) with 3 years' maturity and fixed rate at 1.50% p.a. Bonds were listed on the Euronext Dublin.

On 24 March 2021, the Bank issued bonds under MTN program in the amount of RON 190 million (EUR 38,876 thousand) with 2 years' maturity and with coupon set at 3m Robor + 65 bps. Bonds were listed on the Euronext Dublin.

On 18 March 2021, the Bank issued bonds under MTN program in the amount of HUF 8,500 million (EUR 23,189 thousand) with 3 years maturity and fixed rate at 1.90% p.a. Bonds were listed on the Euronext Dublin.

On 2 February 2021, the Bank issued bonds under MTN program in the amount of EUR 25 million with 3 years' maturity and fixed rate at 0.12% p.a. Bonds were listed on the Euronext Dublin.

On 25 January 2021, the Bank issued bonds under MTN program in the amount of EUR 30 million with 20 years' maturity and fixed rate at 0.95% p.a. Bonds were listed on the Euronext Dublin.

At the issue dates of the non-EUR-denominated bonds, the Bank entered into cross-currency interest rate swaps for the purpose of managing currency risks (Note 7) and exchanging interest expense from debt securities issued, denominated in RUB, RON, HUF, CZK to the currency required by the Bank (EUR, USD) to finance credit projects in the required currency. The Bank applies hedge accounting for the forward foreign exchange risk of the bond issues:

- ▶ In Romanian lei (RON) placed on 1 November 2019, 7 October 2020 and 19 October 2021;
- ▶ In Hungarian forint (HUF) placed on 28 September 2020 and 18 March 2021;
- ▶ In Russian ruble (RUB) placed on 29 April 2020;
- ▶ In Czech korunas (CZK) placed on 19 May 2020 and 27 September 2021.

(Thousands of euros)

17. Debt securities issued (continued)

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the EUR/HUF, EUR/RON, EUR/RUB and EUR/CZK spot and forward foreign exchange rates. The forward foreign exchange risk related to these securities are hedged with cross-currency interest rate swap (“CCIRS”) transactions, resulting in a decrease in forward foreign exchange exposure of issued securities. The effects of using cross-currency interest rate swaps are disclosed in Notes 21 and 22.

The Bank primarily used the proceeds from issuance of debt instruments and placement of bonds to expand its loan portfolio and establish additional liquidity buffers.

18. Equity**Subscribed and paid-in capital**

On 18 August 2018, new statutory documents of the International Investment Bank entered into force. Pursuant to the amended statutory documents, the Bank’s authorized capital amounts to EUR 2,000,000 thousand (31 December 2021: EUR 2,000,000 thousand), which represents the Bank’s equity stated in the Agreement on the Establishment of the International Investment Bank. The Bank’s member countries make contributions to the Bank’s equity pursuant to their shares stipulated in the Agreement.

As at 30 June 2022, the unpaid portion of the Bank’s authorized capital consists of the callable capital (contributions that have not been made yet by the Bank’s member countries) in the amount of EUR 697,376 thousand (31 December 2021: EUR 699,631 thousand) and the amount of unallocated equity contributions (quotas that are available to new or existing Member countries) totaling EUR 875,500 thousand (31 December 2021: EUR 875,500 thousand).

During the six months 2022, the Bank’s member countries made additional contributions to the Bank’s equity in total amount EUR 2,255 thousand (the Government of Republic of Cuba: EUR 1,088 thousand and the Government of Mongolia: EUR 1,167 thousand). The paid-in capital of the International Investment Bank totaled EUR 427,124 thousand (31 December 2021: EUR 424,869 thousand).

Revaluation reserve for securities at fair value through other comprehensive income, cash flow hedge reserve and revaluation reserve for property and equipment

Changes in the revaluation reserve for securities at FVOCI and cash flow hedge reserve, and revaluation reserve for property and equipment were as follows:

	<i>Revaluation reserve for securities</i>	<i>Cash flow hedge reserve</i>	<i>Revaluation reserve for property and equipment</i>
At 1 January 2021	8,225	(248)	8,432
Net change in the fair value of securities at FVOCI	1,352	—	—
Change in the allowance for ECL on securities at FVOCI	134	—	—
Reclassification of accumulated gains from disposal of debt securities at fair value through other comprehensive income to the separate income statement	(4,744)	—	—
Effective portion of changes in fair value arising from CCIRS	—	3,805	—
Net amount reclassified to net losses from operations with foreign currencies and derivatives	—	(14,883)	—
At 30 June 2021 (unaudited)	4,967	(11,326)	8,432
At 1 January 2022	(58)	(29,792)	8,691
Net change in the fair value of securities at FVOCI	(39,055)	—	—
Change in the allowance for ECL on securities at FVOCI	179	—	—
Reclassification of accumulated losses from disposal of debt securities at fair value through other comprehensive income to the separate income statement	7,610	—	—
Effective portion of changes in fair value arising from CCIRS	—	(87,551)	—
Net amount reclassified to net losses from operations with foreign currencies and derivatives	—	41,138	—
At 30 June 2022 (unaudited)	(31,324)	(76,205)	8,691

(Thousands of euros)

18. Equity (continued)

Revaluation reserve for securities at fair value through other comprehensive income, cash flow hedge reserve and revaluation reserve for property and equipment (continued)

Revaluation reserve for securities

The revaluation reserve for securities records fair value changes of financial assets at FVOCI.

Revaluation reserve for property and equipment

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

Cash flow hedge reserve

Cash flow hedge reserve is used to record the portion of the cumulative gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in Net losses from operations with foreign currencies and derivatives in the Income statement.

19. Commitments and contingencies

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Bank. In accordance with the Agreement on the Establishment of the Bank, its assets (irrespective of their location) enjoy immunities from any administrative and legal claims.

The Bank takes all necessary legal and other actions to collect the bad debt and to realize respective repossession rights. When the estimated amount of costs resulting from the Bank's further actions to collect bad debt and/or realize respective repossession rights is higher than the amount collected and also when the Bank holds necessary and sufficient documents and/or regulations issued by the governmental authorities, it decides to write off such bad debt against the respective provision.

Insurance

The Bank obtained insurance coverage for a group of buildings, equipment and car park as well as liability insurance against damages caused by operating assets of a hazardous nature. However, the Bank did not obtain insurance coverage related to temporarily discontinued operations or the Bank's obligations to third parties.

Taxation

The IIB is an international institution operating on the basis of the Intergovernmental Agreement on the Establishment of the International Investment Bank (the "Agreement") and the Statute that constitutes an integral part of the Agreement. Pursuant to the Agreement, the Bank and its Branch are exempt from any national or local direct taxes or duties effective in the territories of its member states. For taxation purposes, its subsidiaries are subject to the provisions of the effective Russian tax, currency and customs legislation.

Credit-related commitments

At any time, the Bank may have outstanding commitments to extend loans. These commitments take the form of approved loan agreements. As at 30 June 2022, credit-related commitments of the Bank comprised credit-related commitments such as undrawn loan facilities and guarantees.

The primary purpose of credit-related commitments is to ensure that funds are available to customers as required. Guarantees issued, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Reimbursement obligations, which are irrevocable reimbursement obligations of the Bank issued on behalf of banks issuing documentary letters of credit that are accepted and paid by foreign partner banks up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. Undrawn loan facilities represent unused portions of funds to be issued as loans.

(Thousands of euros)

19. Commitments and contingencies (continued)**Credit-related commitments (continued)**

Credit-related commitments are presented in the table below as at 30 June 2022 and 31 December 2021:

	30 June 2022 (unaudited)	31 December 2021
Undrawn loan facilities	49,511	104,627
Guarantees issued	41,759	70,498
	91,270	175,125
Less: allowance for impairment of credit-related commitments	(506)	(905)
Credit-related commitments	90,764	174,220

Movements in the ECL related to undrawn loan facilities for the six months ended 30 June 2022 and six months ended 30 June 2021 are as follows:

Undrawn loan facilities	Stage 1	Total
Allowance for ECL at 1 January 2022	304	304
New purchased or originated credit-related commitments	349	349
Credit-related commitments derecognized or redeemed (excluding write-offs)	(435)	(435)
Changes to inputs used for ECL calculations	95	95
Translation differences	1	1
At 30 June 2022 (unaudited)	314	314

Undrawn loan facilities	Stage 1	Stage 2	Total
Allowance for ECL at 1 January 2021	563	67	630
New purchased or originated credit-related commitments	3	—	3
Credit-related commitments derecognized or redeemed (excluding write-offs)	(147)	—	(147)
Translation differences	3	—	3
At 30 June 2021 (unaudited)	422	67	489

Movements in the ECL related to guarantees issued for the six months ended 30 June 2022 and the six months ended 30 June 2021 are as follows:

Guarantees issued	Stage 1	Total
Allowance for ECL at 1 January 2022	601	601
New purchased or originated credit-related commitments	97	97
Credit-related commitments derecognized or redeemed (excluding write-offs)	(598)	(598)
Changes to inputs used for ECL calculations	21	21
Translation differences	71	71
At 30 June 2022 (unaudited)	192	192

Guarantees issued	Stage 1	Total
Allowance for ECL at 1 January 2021	343	343
New purchased or originated credit-related commitments	45	45
Credit-related commitments derecognized or redeemed (excluding write-offs)	(128)	(128)
Translation differences	7	7
At 30 June 2021 (unaudited)	267	267

(Thousands of euros)

20. Leases**Bank as lessor**

The Bank provides its investment property for operating leases. As at 30 June 2022, the Bank's non-cancelable operating lease rentals amount to EUR 2,147 thousand and will be settled within 1 month – 1 year and EUR 247 thousand within 2-3 year (31 December 2021: EUR 777 thousand and will be settled within 1 month – 1 year and 1-2 years EUR 121 thousand).

21. Interest income and interest expenses

Net interest income comprises:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income		
<i>Interest income calculated using the EIR method</i>		
Loans to customers	24,585	20,499
Loans to banks	2,681	2,024
Securities at fair value through other comprehensive income	1,737	1,897
Deposits with banks and other financial institutions, including cash and cash equivalents	699	38
Securities at amortized cost	493	607
Other	15	6
<i>Other interest income</i>		
Cross-currency interest rate swaps covering long-term currency risks	9,559	10,028
Investments at fair value through profit or loss	457	298
Total interest income	40,226	35,397
Interest expenses		
<i>Interest expenses calculated using the EIR method</i>		
Debt securities issued	(21,178)	(18,632)
Long-term loans of banks	(900)	(936)
Current customer accounts	(86)	(152)
Due to banks and other financial institutions	37	9
Other	(129)	(320)
<i>Other interest expenses</i>		
Cross-currency interest rate swaps covering long-term currency risks	(6,790)	(4,030)
Total interest expenses	(29,046)	(24,061)
Net interest income	11,180	11,336

22. Net losses from operations with foreign currencies and derivatives

Net losses from operations with foreign currencies and derivatives comprise:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Derivative financial instruments and operations with foreign currencies		
Net gains/(losses) from operations with foreign currencies and derivatives	(96,166)	5,390
Net (losses)/gains from revaluation of derivative financial instruments	90,767	(18,497)
Total derivative financial instruments and operations with foreign currencies	(5,399)	(13,107)
Translation differences		
Net gains/(losses) from revaluation of assets and liabilities in foreign currencies	(74,870)	10,121
Net losses from operations in foreign currencies and with derivatives	(80,269)	(2,986)

*(Thousands of euros)***23. General and administrative expenses**

General and administrative expenses comprise:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Employee compensations and employment taxes	5,360	6,077
IT expenses, inventory and occupancy expenses	1,049	996
Depreciation and disposal of property, equipment and intangible assets	1,031	939
Expenses related to business travel, representative and accommodation expenses	326	266
Professional services	118	188
Other	134	72
General and administrative expenses	8,018	8,538

24. Risk management**Risk management framework**

The Bank's risk management policy is based on the conservative assessment approach and is mainly aimed at the mitigation of the adverse impact of risks on the Bank's results, i.e. on the safety and reliability of fund allocation while maintaining the reasonable level of profitability. The conservative assessment approach assumes that the Bank does not enter into potential transactions with a high or undeterminable risk level, regardless of profitability.

The Bank's risk management activities are intended to:

- ▶ Identify, analyze and manage risks faced by the Bank;
- ▶ Establish ratios and limits that restrict the level of the appropriate types of risks;
- ▶ Monitor the level of the risk and its compliance with established limits;
- ▶ Develop and implement regulative and methodological documents as well as software applications that ensure professional risk management for the bank transactions.

Risk management policies and procedures are reviewed regularly to reflect changing circumstances on global financial markets.

Risk management system

Integrated into the whole vertical organizational structure of the Bank and all areas of the Bank's activities, the risk management system makes it possible to identify in a timely manner and effectively manage different types of risks.

Risk management involves all of the Bank's divisions in evaluating, assuming, and controlling risks ("Three lines of defense"):

- ▶ Risk-taking (1st line of defense): the Bank's divisions directly preparing and conducting transactions are involved in the identification, assessment, and monitoring of risks and comply with internal regulations on risk management, as well as give due consideration to the risk level in the preparation of transactions.
- ▶ Risk management (2nd line of defense): the division responsible for risk management develops risk management tools and methodology, assesses and monitors the risk level, prepares reports on risks, carries out risk aggregation, and calculates the amount of total capital requirements.
- ▶ Internal audit (3rd line of defense): independent quality assessment for existing risk management processes, identification of violations, and proposals for the improvement of the risk management system.

The Bank's operations are managed taking into account the level of the risk appetite approved by the Board of Directors and its integration into a system of limits and restrictions ensuring the acceptable level of risk for aggregated positions, transparent distribution of the total risk limit among the activities of the Bank.

*(Thousands of euros)***24. Risk management (continued)****Risk management system (continued)**

The Bank identifies the following major risks inherent in its various activities:

- ▶ Credit risk;
- ▶ Liquidity risk;
- ▶ Market risk;
- ▶ Operational risk.

Risk management response to external shocks

Facing the unprecedented accumulation of external shocks (the RF-UA conflict and members' withdrawal announcement), the Risk Department (here and after – RD) has managed to tailor its activities in line with the rapidly changing environment:

- ▶ At the outset of the tensions, the RD swiftly modified the cash flow model with a higher granularity of predictions to provide comprehensive operational visibility on the Bank's liquidity situation.
- ▶ Following the colossal exchange rates volatility, RD enhanced assessing the sensitivity of the Bank's derivative portfolio, enriched it with the concept of the maximum expected margin calls outflow (under the specific stress scenarios applied to respective yield curves and exchange rates), and relevant trigger values.
- ▶ RD elaborated and calibrated a new macroeconomic model for IFRS 9 provisioning, which considers the latest macroeconomic forecasts from reputable sources.
- ▶ RD amplified the counterparty monitoring process that resulted in limit modifications, reductions, and freezes reflecting on the recent developments in the sanctioned area and adapted business needs.
- ▶ RD provides for the management consideration regular and ad-hoc forecasts and performs "what if" analysis of the full spectrum of risk indicators.
- ▶ RD continues to operate early warning systems, for market and credit risks, in close cooperation with other Bank's departments looking for early recognition of additional weak points, their classification, and subsequent analysis to prepare recommendations on specific risk elimination.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its counterparty fails to discharge its contractual financial obligations to the Bank, or discharges them in an untimely fashion or not in full. Credit risk arises principally from loans and advances to customers and banks and other on and off balance sheet credit exposures. For risk reporting purposes, the Bank considers and consolidates all elements of potential credit risk exposures such as individual borrower or counterparty default risk.

The Bank creates an allowance for a financial instrument in accordance with IFRS 9 that represents its estimates of losses on such a financial instrument. A financial instrument can be written off against the related allowance for expected credit losses only upon permission of the IIB's Board of Governors and where the financial instrument is determined as uncollectable and all necessary steps to collect the financial instrument are completed. Such decision is made after consideration of the information on significant changes in counterparty's financial position such as inability to repay the financial instrument and when proceedings from disposal of the collateral are insufficient to cover the debt amount in full.

(intentionally blank)

(Thousands of euros)

24. Risk management (continued)**Credit risk (continued)**

The tables below provide an analysis of the Bank's internal expected credit loss rating scale as of 30 June 2022 and 31 December 2021 and how it corresponds to the external ratings of the S&P credit rating service.

<i>Internal assessment</i>	<i>External ratings equivalent</i>	<i>Internal ratings equivalent</i>
Excellent	AAA-AA-	A1-A3
Very strong	A+-A-	A4-A6
Strong	BBB+-BBB-	A7-A9
Good	BB+-BB-	B1-B3
Fair	B+-B-	B4-B6
Special attention	CCC+-CCC-	C1-C3
Expected loss	CC-D	SD-D

The table provides overview of the exposure amount and allowance for credit losses by long-term loans to banks and trade financing loans (Note 11) and loans to customers (Note 12) class broken down into stages as per IFRS 9 requirements as at 30 June 2022 and 31 December 2021:

30 June 2022
(unaudited)

<i>Internal risk rating category</i>	<i>Amount</i>				<i>Allowance for impairment</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Trade financing loans and long-term loans to banks								
Good	13,625	—	—	13,625	77	—	—	77
Fair	55,002	—	—	55,002	791	—	—	791
Special attention	50,177	—	—	50,177	371	—	—	371
Loans to customers at amortized cost								
Strong	45,876	—	—	45,876	56	—	—	56
Good	115,957	—	—	115,957	415	—	—	415
Fair	301,063	—	—	301,063	2,660	—	—	2,660
Special attention	165,692	72,608	30,805	269,105	8,677	14,271	22,080	45,028
Expected loss	—	294	—	294	—	294	—	294
Loans to customers at fair value through other comprehensive income								
Good	27,921	—	—	27,921	67	—	—	67
Fair	26,111	—	—	26,111	441	—	—	441
	801,424	72,902	30,805	905,131	13,555	14,565	22,080	50,200

31 December 2021

<i>Internal risk rating category</i>	<i>Amount</i>				<i>Allowance for impairment</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Trade financing loans and long-term loans to banks								
Good	16,042	—	—	16,042	139	—	—	139
Fair	55,787	—	—	55,787	1,420	—	—	1,420
Special attention	50,250	—	—	50,250	1,586	—	—	1,586
Loans to customers at amortized cost								
Strong	212,490	—	—	212,490	87	—	—	87
Good	411,970	43,257	—	455,227	638	848	—	1,486
Fair	211,760	—	—	211,760	1,421	—	—	1,421
Special attention	53,232	—	28,032	81,264	877	—	5,267	6,144
Expected loss	—	294	—	294	—	294	—	294
Loans to customers at fair value through other comprehensive income								
Very strong	14,850	—	—	14,850	7	—	—	7
Strong	40,750	—	—	40,750	31	—	—	31
Good	32,025	—	—	32,025	48	—	—	48
Fair	35,047	—	—	35,047	311	—	—	311
	1,134,203	43,551	28,032	1,205,786	6,565	1,142	5,267	12,974

*(Thousands of euros)***24. Risk management (continued)****Liquidity risk**

Liquidity risk is the risk of loss resulting from the Bank's inability to meet its payment obligations in full when they fall due under normal and stress circumstances. Liquidity risk results from an improper balance between the Bank's financial assets and financial liabilities by period and amount (including due to untimely discharge of its financial obligations by one or several counterparties of the Bank) and/or an unforeseen need of immediate and simultaneous discharge of its financial obligations.

Liquidity management is an integral part of the general policy for the Bank's assets and liabilities management (ALM) and operates within the established limits and restrictions related to the management of risks (liquidity, interest rate and currency risk) and the Bank's balance sheet items, and in accordance with the documents of planning.

Procedures for the Bank's liquidity position management, ensuring the Bank's ability to meet its obligations in full and on a timely basis and efficient resources management, are stipulated in the Regulations for IIB's Liquidity Position Management that enables the development of the liquidity position management function provided for by IIB's Assets and Liabilities Management Policy, as an integral part of the general function of the Bank's management.

The Bank manages its liquidity position in accordance with planning horizons (up to 12 months) and possible scenarios of movements in the liquidity position (stable, stressed).

The main instrument of liquidity position management under the stable scenario is a Plan of Cash Flows defining the cash flow by balance sheet product/instrument and taking into account the plan of future financial operations. The Bank determines the balance sheet gaps, payment schedule and need for financing of future operations based on the Plan of Cash Flows.

The Bank has implemented a liquidity buffer to manage the Bank's liquidity under the stressed scenario. Application of the liquidity buffer enables the Bank to promptly monitor the sustainability and stability of the Bank's balance sheet structure in case of a liquidity shortage that is critical to the Bank's solvency.

The liquidity buffer is formed primarily of liquidity reserves, namely securities recognized in the Bank's balance sheet and included in the Lombard lists of the European Central Bank and the Bank of Russia, and nostro accounts with banks and other financial institutions. The Bank calculates its liquidity reserves as at the reporting date and for the next twelve monthly reporting dates (forecast). The liquidity buffer may be used to close the negative net position. As at 30 June 2022, the liquidity buffer amounts to EUR 371.7 million (31 December 2021: EUR 360.8 million).

Credit-related commitments of the Bank are stated in accordance with contractual maturities in the table presented below. Where there is no contractual schedule of credit-related commitments, these obligations are included into the earliest date on which the client can demand their execution. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	30 June 2022 (unaudited)	31 December 2021
Less than 1 month	1,938	12,822
1 to 3 months	3,394	3,643
3 months to 1 year	30,438	46,342
1 to 5 years	13,427	41,516
Credit-related commitments	49,197	104,323

Credit-related commitment in the amount of EUR 13,427 thousand (2021: EUR 41,516 thousand) is included in the term of 1 to 5 years based on professional judgment and experience of relationship with the counterparty. However, in accordance with contractual terms this commitment can be requested upon request if other conditions for the disbursement are fulfilled by the counterparty.

(intentionally blank)

(Thousands of euros)

24. Risk management (continued)**Liquidity risk (continued)**

The following table provides an analysis of financial assets and liabilities on the basis of the remaining period from the reporting date to the contractual maturity date. As at 30 June 2022 quoted debt securities at fair value through other comprehensive income, securities at fair value through profit or loss and equity instruments were included in the “3 months to 1 year” (31 December 2021: “Less than 1 month”) category as they are highly liquid securities, shares and depositary receipts which the Bank may sell in the short term on the arm-length basis. Securities at fair value through other comprehensive income pledged under repurchase agreements are presented on the basis of periods from the reporting date to the expiry date of the respective contractual obligations of the Bank.

	30 June 2022 (unaudited)								31 December 2021						
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	On demand	Past due	Total	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due	Total
Financial assets															
Cash and cash equivalents	129,192	12,709	44,601	–	–	–	–	186,502	89,122	–	–	–	–	–	89,122
Deposits with banks and other financial institutions	–	15,832	31,536	35,954	–	36,151	–	119,473	–	335	–	58,626	–	–	58,961
Derivative financial assets	–	–	2,584	8,266	–	–	–	10,850	31	332	130	10,840	–	–	11,333
Investments at fair value through profit or loss	16,812	–	–	–	–	–	–	16,812	11,713	–	–	–	–	–	11,713
Securities at fair value through other comprehensive income	217	324	178,334	–	–	–	–	178,875	218,492	17,562	–	–	–	–	236,054
Securities at amortized cost	–	53	156	43,026	18,988	–	440	62,663	–	157	361	46,852	39,411	–	86,781
Loans to banks	9,132	856	11,754	46,215	49,608	–	–	117,565	5,517	2,067	12,515	50,434	48,401	–	118,934
Loans to customers	7,808	27,857	88,957	457,264	147,263	–	8,725	737,874	15,081	25,656	102,726	573,187	334,917	22,708	1,074,275
Other financial assets	417	–	179	3	–	–	–	599	170	444	533	2	–	–	1,149
Total financial assets	163,578	57,631	358,101	590,728	215,859	36,151	9,165	1,431,213	340,126	46,553	116,265	739,941	422,729	22,708	1,688,322
Financial liabilities															
Due to banks and other financial institutions	–	–	–	–	–	–	–	–	(26,410)	(66,525)	(25,000)	–	–	–	(117,935)
Derivative financial liabilities	(1,613)	–	(14,020)	(41,083)	–	–	–	(56,716)	–	(12,703)	(13,768)	(46,861)	–	–	(73,332)
Current customer accounts	(4,518)	–	–	–	–	–	–	(4,518)	(16,445)	–	–	–	–	–	(16,445)
Long-term loans of banks	–	–	(6,231)	(28,373)	(14,713)	–	–	(49,317)	–	(2,904)	(2,846)	(38,791)	(18,242)	–	(62,783)
Debt securities issued	–	(2,322)	(459,651)	(670,827)	(29,568)	–	–	(1,162,368)	(267)	(69,465)	(167,166)	(767,434)	(29,607)	–	(1,033,939)
Other financial liabilities	(431)	(12)	(380)	(1,741)	–	–	–	(2,564)	(1,262)	(1,224)	(687)	(582)	–	–	(3,755)
Total financial liabilities	(6,562)	(2,334)	(480,282)	(742,024)	(44,281)	–	–	(1,275,483)	(44,384)	(152,821)	(209,467)	(853,668)	(47,849)	–	(1,308,189)
Net position	157,016	55,297	(122,181)	(151,296)	171,578	36,151	9,165	155,730	295,742	(106,268)	(93,202)	(113,727)	374,880	22,708	380,133
Accumulated net position	157,016	212,313	90,132	(61,164)	110,414	146,565	155,730		295,742	189,474	96,272	(17,455)	357,425	380,133	

*(Thousands of euros)***24. Risk management (continued)****Market risk**

Market risk is the risk that the Bank may incur losses due to adverse fluctuations in the market rate of financial instruments, interest rates, foreign exchanges, and securities' prices. Market risk includes equity risk on securities, interest rate risk and currency risk.

The Bank is exposed to market risk due to open positions in currency. Equity risk on securities arises from open positions in debt and equity instruments, which are exposed to general and specific market changes.

Currency risk and price risk

Currency risk is the risk of loss resulting from adverse changes in exchange rates with respect to the Bank's open positions in foreign currencies. Price risk is the risk that the fair values of securities decrease as a result of changes in the levels of indices and the value of individual securities.

(intentionally blank)

(Thousands of euros)

24. Risk management (continued)**Market risk (continued)**

The Bank has assets and liabilities denominated in several foreign currencies. The financial position and the cash flows are exposed to the effects of fluctuations in foreign currency exchange rates. Non-monetary financial instruments and financial instruments denominated in functional currency are not exposed to currency risk. The Bank's exposure to currency risk as at 30 June 2022 and 31 December 2021 is presented below:

	30 June 2022 (unaudited)						
	EUR	USD	RUB	HUF	RON	Other currencies	Total
Non-derivative financial assets							
Cash and cash equivalents	107,067	60,284	3,189	14,790	690	482	186,502
Deposits with banks and other financial institutions	36,777	1,930	33,287	15,943	31,536	–	119,473
Investments at fair value through profit or loss	3,806	–	13,006	–	–	–	16,812
Securities at fair value through other comprehensive income	60,261	102,373	16,241	–	–	–	178,875
Securities at amortized cost	38,825	23,838	–	–	–	–	62,663
Long-term loans to banks	49,920	67,645	–	–	–	–	117,565
Loans to customers	346,037	70,165	229,824	44,459	47,389	–	737,874
Other financial assets	239	86	143	131	–	–	599
Total non-derivative financial assets	642,932	326,321	295,690	75,323	79,615	482	1,420,363
Non-derivative financial liabilities							
Current customer accounts	(4,516)	(2)	–	–	–	–	(4,518)
Long-term loans of banks	–	(44,483)	–	(4,834)	–	–	(49,317)
Debt securities issued	(104,627)	–	(480,312)	(87,887)	(276,032)	(213,510)	(1,162,368)
Other financial liabilities	(1,618)	–	(841)	(105)	–	–	(2,564)
Total non-derivative financial liabilities	(110,761)	(44,485)	(481,153)	(92,826)	(276,032)	(213,510)	(1,218,767)
Net balance sheet position (excluding derivative financial instruments)	532,171	281,836	(185,463)	(17,503)	(196,417)	(213,028)	201,596
Derivative financial instruments							
Claims	258,853	9,697	42,331	53,919	205,473	106,986	677,259
Liabilities	(442,533)	(206,478)	(35,491)	(38,623)	–	–	(723,125)
Net balance sheet position, including derivative financial instruments	348,491	85,055	(178,623)	(2,207)	9,056	(106,042)	155,730

(Thousands of euros)

24. Risk management (continued)**Market risk (continued)**

	<i>31 December 2021</i>						
	<i>EUR</i>	<i>USD</i>	<i>RUB</i>	<i>HUF</i>	<i>RON</i>	<i>Other currencies</i>	<i>Total</i>
Non-derivative financial assets							
Cash and cash equivalents	71,865	163	15,099	125	1,810	60	89,122
Deposits with banks and other financial institutions	58,961	–	–	–	–	–	58,961
Investments at fair value through profit or loss	3,251	–	8,462	–	–	–	11,713
Securities at fair value through other comprehensive income	67,142	149,931	18,981	–	–	–	236,054
Securities at amortized cost	64,754	22,027	–	–	–	–	86,781
Long-term loans to banks	49,650	69,284	–	–	–	–	118,934
Loans to customers	661,528	118,952	164,623	80,289	48,883	–	1,074,275
Other financial assets	773	36	54	286	–	–	1,149
Total non-derivative financial assets	977,924	360,393	207,219	80,700	50,693	60	1,676,989
Non-derivative financial liabilities							
Due to banks and other financial institutions	(117,526)	–	–	(409)	–	–	(117,935)
Current customer accounts	(16,414)	(31)	–	–	–	–	(16,445)
Long-term loans of banks	(17,034)	(43,573)	–	(2,176)	–	–	(62,783)
Debt securities issued	(104,752)	–	(309,751)	(193,105)	(249,830)	(176,501)	(1,033,939)
Other financial liabilities	(2,188)	(186)	(616)	(676)	(39)	(50)	(3,755)
Total non-derivative financial liabilities	(257,914)	(43,790)	(310,367)	(196,366)	(249,869)	(176,551)	(1,234,857)
Net balance sheet position (excluding derivative financial instruments)	720,010	316,603	(103,148)	(115,666)	(199,176)	(176,491)	442,132
Derivative financial instruments							
Claims	443,795	8,838	176,680	183,291	227,364	167,448	1,207,416
Liabilities	(777,702)	(290,708)	(95,266)	(73,541)	(32,198)	–	(1,269,415)
Net balance sheet position, including derivative financial instruments	386,103	34,733	(21,734)	(5,916)	(4,010)	(9,043)	380,133

(intentionally blank)

*(Thousands of euros)***25. Fair value measurements**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, professional judgment is necessarily required to interpret market data to determine the fair value. While management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Fair value hierarchy

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

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- ▶ Level 3: techniques that use inputs which have a significant effect on the recognized fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy. The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 30 June 2022 and 31 December 2021:

	<i>Level 1</i> <i>30 June 2022</i> <i>(unaudited)</i>	<i>Level 2</i> <i>30 June 2022</i> <i>(unaudited)</i>	<i>Level 3</i> <i>30 June 2022</i> <i>(unaudited)</i>	<i>Total</i> <i>30 June 2022</i> <i>(unaudited)</i>
Assets measured at fair value				
Derivative financial assets	—	10,850	—	10,850
Corporate bonds at fair value through profit or loss	—	13,006	—	13,006
Investments at fair value through profit or loss	—	3,806	—	3,806
Government bonds at fair value through other comprehensive income	41,171	3,388	—	44,559
Corporate bonds at fair value through other comprehensive income	70,582	63,734	—	134,316
Loans to customers at fair value through other comprehensive income	39,927	14,105	—	54,032
Investment property	—	—	32,328	32,328
Property and equipment – buildings	—	—	61,455	61,455
Liabilities measured at fair value				
Derivative financial liabilities	—	56,716	—	56,716
Assets for which fair values are disclosed				
Cash and cash equivalents	820	185,682	—	186,502
Deposits with banks and other financial institutions	—	—	119,473	119,473
Securities at amortized cost	41,378	—	—	41,378
Loans to banks at amortized cost	—	—	118,631	118,631
Loans to customers at amortized cost	6,103	151,632	509,481	667,216
Liabilities for which fair values are disclosed				
Current customer accounts	—	—	4,518	4,518
Long-term loans of banks	—	—	49,317	49,317
Debt securities issued	—	995,039	—	995,039

(Thousands of euros)

25. Fair value measurements (continued)**Fair value hierarchy (continued)**

	<i>Level 1</i> <i>31 December</i> <i>2021</i>	<i>Level 2</i> <i>31 December</i> <i>2021</i>	<i>Level 3</i> <i>31 December</i> <i>2021</i>	<i>Total</i> <i>31 December</i> <i>2021</i>
Assets measured at fair value				
Derivative financial assets	–	11,333	–	11,333
Corporate bonds at fair value through profit or loss	8,462	–	–	8,462
Investments at fair value through profit or loss	–	3,251	–	3,251
Government bonds at fair value through other comprehensive income	38,385	–	–	38,385
Corporate bonds at fair value through other comprehensive income	152,665	45,004	–	197,669
Loans to customers at fair value through other comprehensive income	122,672	–	–	122,672
Investment property	–	–	32,311	32,311
Property and equipment – buildings	–	–	61,882	61,882
Liabilities measured at fair value				
Derivative financial liabilities	–	73,332	–	73,332
Assets for which fair values are disclosed				
Cash and cash equivalents	143	88,979	–	89,122
Deposits with banks and other financial institutions	–	–	58,961	58,961
Securities at amortized cost	88,766	–	–	88,766
Loans to banks at amortized cost	–	–	119,193	119,193
Loans to customers at amortized cost	160,468	–	823,513	983,981
Liabilities for which fair values are disclosed				
Due to banks and other financial institutions	–	–	117,935	117,935
Current customer accounts	–	–	16,445	16,445
Long-term loans of banks	–	–	62,783	62,783
Debt securities issued	–	1,003,771	–	1,003,771

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

Set out below is a comparison of the carrying amounts and fair values of the Bank's financial instruments that are recorded in the interim condensed separate financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>Carrying amount</i> <i>30 June 2022</i> <i>(unaudited)</i>	<i>Fair value</i> <i>30 June 2022</i> <i>(unaudited)</i>	<i>Unrecognized gain/(loss)</i> <i>30 June 2022</i> <i>(unaudited)</i>	<i>Carrying amount</i> <i>31 December 2021</i>	<i>Fair value</i> <i>31 December 2021</i>	<i>Unrecognized gain/(loss)</i> <i>31 December 2021</i>
Financial assets						
Cash and cash equivalents	186,502	186,502	–	89,122	89,122	–
Deposits with banks and other financial institutions	119,473	119,473	–	58,961	58,961	–
Securities at amortized cost	62,663	41,378	(21,285)	86,781	88,766	1,985
Loans to banks at amortized cost	117,565	118,631	1,066	118,934	119,193	259
Loans to customers at amortized cost	683,842	667,216	(16,626)	951,603	983,981	32,378
Financial liabilities						
Due to banks and other financial institutions	–	–	–	117,935	117,935	–
Current customer accounts	4,518	4,518	–	16,445	16,445	–
Long-term loans of banks	49,317	49,317	–	62,783	62,783	–
Debt securities issued	1,162,368	995,039	167,329	1,033,939	1,003,771	30,168
Total unrecognized change in unrealized fair value			130,484			64,790

(Thousands of euros)

25. Fair value measurements (continued)**Changes in Level 3 assets and liabilities at fair value**

The following tables show a reconciliation of the opening and closing amounts of Level 3 assets and liabilities that are recorded at fair value:

	<i>At 1 January 2022</i>	<i>Losses recorded in profit or loss/other comprehensive income</i>	<i>Additions</i>	<i>At 30 June 2022 (unaudited)</i>
Assets				
Property and equipment – buildings	61,882	(1,030)	603	61,455
Investment property	32,311	–	17	32,328
Total	94,193	(1,030)	620	93,783

	<i>At 1 January 2021</i>	<i>Losses recorded in profit or loss/other comprehensive income</i>	<i>Additions/ (disposals)</i>	<i>At 31 December 2021</i>
Assets				
Property and equipment – buildings	33,342	(593)	29,133	61,882
Investment property	33,004	(102)	(591)	32,311
Total	66,346	(695)	28,542	94,193

26. Segment information

For management purposes, the Bank identifies the following three operating segments based on its lines of services:

Credit investment activity Investment banking services, including long-term corporate and interbank financing.

Treasury Operations in financial markets, transactions with securities, derivative financial instruments and foreign currency, and liquidity management.

Other operations Operational leasing services, other operations.

(intentionally blank)

(Thousands of euros)

26. Segment information (continued)

Management monitors the operating results of its business separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the interim condensed separate financial statements. The following table presents income, profit, assets and liabilities of the Bank's operating segments:

30 June 2022 (unaudited)	Credit investment activity	Treasury	Other operations	Total
Income				
External customers				
Interest income calculated using the EIR method	27,266	2,923	21	30,210
Other interest income	—	10,016	—	10,016
Fee and commission income	968	—	—	968
Income from lease of investment property	—	—	1,279	1,279
Other segment income/(expense)	1,146	506	394	2,046
Total income	29,380	13,445	1,694	44,519
Interest expenses calculated using the EIR method	(14,749)	(7,507)	—	(22,256)
Other interest expenses	—	(6,790)	—	(6,790)
Net allowance for credit losses on financial instruments	(24,452)	(4,684)	(6)	(29,142)
Fee and commission expense	(12)	(199)	(109)	(320)
Net (losses)/gains from operations with foreign currencies and derivatives	—	(80,339)	70	(80,269)
Net losses from operations with investments at fair value through profit or loss	—	(112)	—	(112)
Net gains/(losses) from operations with investments at fair value through other comprehensive income	(7,824)	214	—	(7,610)
Net losses from operations with investments amortized cost	(1,657)	(1,855)	—	(3,512)
Net losses from sale of loans to customers	(27,387)	—	—	(27,387)
Other segment expenses	(20)	(6)	(106)	(132)
Segment results	(46,721)	(87,833)	1,543	(133,011)
Other unallocated expenses				(8,018)
Losses for the period				(141,029)
Development portfolio	855,646	121,744	—	977,390
Other segment assets	—	453,160	101,213	554,373
Total segment assets	855,646	574,904	101,213	1,531,763
Total segment liabilities	810,026	463,479	3,692	1,277,197

The Bank's management separates the "Development portfolio" assets allocated within operating segments. The criterion for the separation is whether the investment corresponds the Bank's mission. The "Development portfolio" includes loans to banks and loans to customers excluding impaired loan projects and investments in debt securities purchased upon the initial placement by the issuer.

(intentionally blank)

(Thousands of euros)

26. Segment information (continued)

30 June 2021 (unaudited)	Credit investment activity	Treasury	Other operations	Total
Income				
External customers				
Interest income calculated using the EIR method	22,524	2,542	5	25,071
Other interest income	–	10,326	–	10,326
Net allowance for credit losses on financial instruments	634	(413)	–	221
Fee and commission income	806	–	–	806
Gains from operations with investments at fair value through profit or loss	–	680	–	680
Net gains from operations with investments at fair value through other comprehensive income	2,271	2,473	–	4,744
Income from lease of investment property	–	–	1,087	1,087
Other segment income	306	–	37	343
Total income	26,541	15,608	1,129	43,278
Interest expenses calculated using the EIR method	(12,905)	(7,126)	–	(20,031)
Other interest expenses	–	(4,030)	–	(4,030)
Fee and commission expense	(12)	(161)	(96)	(269)
Net losses from operations with foreign currencies and derivatives	–	(2,995)	9	(2,986)
Other segment expenses	(19)	(4)	(172)	(195)
Segment results	13,605	1,292	870	15,767
Other unallocated expenses				(8,538)
Profit for the year				7,229
Development portfolio	1,001,023	145,765	–	1,146,788
Other segment assets	94,303	367,699	103,149	565,151
Total segment assets	1,095,326	513,464	103,149	1,711,939
Total segment liabilities	735,913	516,860	11,713	1,264,486
Other segment information				
Capital expenditures	–	–	27,094	27,094

During the six months ended 30 June 2022, the Bank's revenue from lease operations with three external counterparties (six months ended 30 June 2021: three external counterparties) exceeded 20% of the Bank's total revenue (six months ended 30 June 2022: EUR 1,145 thousand; six months ended 30 June 2021: EUR 764 thousand).

Geographical information

Allocation of the Bank's revenue from transactions with external customers based on the location of these customers for the six months ended 30 June 2022 and 31 December 2021 is presented in the table below:

	30 June 2022 (unaudited)			30 June 2021 (unaudited)		
	Member countries	Other countries	Total	Member countries	Other countries	Total
Interest income calculated using the EIR method	24,219	5,991	30,210	18,625	6,446	25,071
Other interest income	1,732	8,284	10,016	1,617	8,709	10,326
Income from lease of investment property	1,279	–	1,279	1,087	–	1,087

During the six months ended 30 June 2022 interest income calculated using the EIR method of member countries include revenue from transactions with customers from Russian Federation EUR 11,836 thousand and Romania EUR 3,546 thousand (six months ended 30 June 2021: Russian Federation EUR 6,038 thousand and Romania EUR 3,294 thousand). Non-current assets of the Bank are located in member countries.

(Thousands of euros)

26. Segment information (continued)**Geographical information (continued)**

Information on risk concentration by geographical region is based on the geographical location of the Bank's counterparties. The geographical concentration of the Bank's financial assets and liabilities as at 30 June 2022 and 31 December 2021 is presented below:

	30 June 2022 (unaudited)										
	Russian Federation	Republic of Bulgaria	Romania	Slovak Republic	Hungary	Mongolia	Socialist Republic of Vietnam	Czech Republic	Republic of Cuba	Other countries	Total
Financial assets											
Cash and cash equivalents	47,029	342	690	—	15,610	—	—	—	—	122,831	186,502
Deposits with banks and other financial institutions	37,405	—	31,536	—	15,832	—	—	—	—	34,700	119,473
Derivative financial assets	—	—	—	—	841	—	—	—	—	10,009	10,850
Investments at fair value through profit or loss	13,006	—	—	—	—	—	—	—	—	3,806	16,812
Securities at fair value through other comprehensive income	—	—	13,643	—	—	—	—	—	—	165,232	178,875
Securities at amortized cost	19,789	—	—	—	—	—	—	—	—	42,874	62,663
Long-term loans to banks	—	—	—	—	—	40,643	27,116	—	49,806	—	117,565
Loans to customers	283,588	87,346	122,424	—	61,317	28,639	16,765	15,035	—	122,760	737,874
Other financial assets	82	—	—	—	297	85	—	—	—	135	599
Financial assets	400,899	87,688	168,293	—	93,897	69,367	43,881	15,035	49,806	502,347	1,431,213
Financial liabilities											
Derivative financial liabilities	(1,496)	—	(2,182)	—	—	—	—	—	—	(53,038)	(56,716)
Long-term loans of banks	—	—	—	—	(4,834)	—	—	—	—	(44,483)	(49,317)
Debt securities issued	(480,312)	—	(276,032)	—	(192,514)	—	—	(213,510)	—	—	(1,162,368)
Other financial liabilities	(829)	—	—	—	(1,692)	—	—	—	—	(43)	(2,564)
Financial liabilities	(482,637)	—	(278,214)	—	(199,040)	—	—	(213,510)	—	(97,564)	(1,270,965)

(intentionally blank)

(Thousands of euros)

26. Segment information (continued)**Geographical information (continued)**

	31 December 2021										
	Russian Federation	Republic of Bulgaria	Romania	Slovak Republic	Hungary	Mongolia	Socialist Republic of Vietnam	Czech Republic	Republic of Cuba	Other countries	Total
Financial assets											
Cash and cash equivalents	15,101	350	1,810	—	296	—	—	—	—	71,565	89,122
Deposits with banks and other financial institutions	2,966	335	—	—	—	—	—	—	—	55,660	58,961
Derivative financial assets	—	—	—	—	465	—	—	—	—	10,868	11,333
Investments at fair value through profit or loss	8,462	—	—	—	—	—	—	—	—	3,251	11,713
Securities at fair value through other comprehensive income	—	—	10,003	—	—	—	—	—	—	226,051	236,054
Securities at amortized cost	20,682	—	—	—	—	—	—	9,988	—	56,111	86,781
Long-term loans to banks	—	—	—	—	—	39,554	30,716	—	48,664	—	118,934
Loans to customers	228,374	104,912	138,059	104,622	141,117	58,624	23,865	15,023	—	259,679	1,074,275
Other financial assets	39	—	—	—	912	40	—	46	—	112	1,149
Financial assets	275,624	105,597	149,872	104,622	142,790	98,218	54,581	25,057	48,664	683,297	1,688,322
Financial liabilities											
Due to banks and other financial institutions	—	(59,838)	—	—	(409)	—	—	—	—	(57,688)	(117,935)
Derivative financial liabilities	(3,056)	—	(3,304)	—	—	—	—	—	—	(66,972)	(73,332)
Long-term loans of banks	—	—	—	—	(2,176)	—	—	—	—	(60,607)	(62,783)
Debt securities issued	(309,751)	—	(249,830)	—	(297,857)	—	—	(176,501)	—	—	(1,033,939)
Other financial liabilities	(586)	—	—	—	(2,903)	—	—	(79)	—	(187)	(3,755)
Financial liabilities	(313,393)	(59,838)	(253,134)	—	(303,345)	—	—	(176,580)	—	(185,454)	(1,291,744)

Other countries include non-member countries.

(intentionally blank)

(Thousands of euros)

27. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making 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 and settlements with related parties were carried out on conditions similar to those which prevail in transactions between independent parties.

Volumes of related party transactions, outstanding balances at 30 June 2022 and 31 December 2021, and related expenses and income for the six months ended 30 June 2022 and 30 June 2021 are as follows:

		30 June 2022	31 December
		(unaudited)	2021
	Related party	Carrying amount	Carrying amount
Separate statement of financial position			
Other assets	Key management personnel	–	50
Current customer accounts	Key management personnel	431	1,710
Other liabilities	Key management personnel	36	1,717
Other liabilities	Subsidiary	434	283
		Six months ended 30 June	
		(unaudited)	
		2022	2021
	Related party	Expense	Expense
Separate income statement			
Interest expenses on current customer accounts	Key management personnel	(10)	(26)
Net interest expense after allowance for loan impairment		(10)	(26)
Expenses from operating activities		(10)	(26)
Employee benefits	Key management personnel	(427)	(787)
Compensation for travel expenses and medical insurance	Key management personnel	(51)	(41)
Professional services	Subsidiary	(97)	(211)
Operating expenses		(575)	(1,278)
Net expense for the period		(585)	(1,304)

In the ordinary course of business, the Bank mainly carries out transactions with entities from the Bank member countries. In the ordinary course of business, the Bank also engages into contractual relationships with government-related organizations. Balances and income from operations with government and government-related organizations are as follows:

	30 June 2022	31 December
	(unaudited)	2021
Separate of financial position		
Investments at fair value through profit or loss	13,006	8,462
Securities at fair value through other comprehensive income	3,641	–
Securities at amortized cost	19,789	30,670
Loans to banks	49,806	48,664
Loans to customers	179,990	336,642
Commitment and contingencies		
Undrawn loan facilities	–	63,311

(Thousands of euros)

27. Related party disclosures (continued)

	30 June 2022 (unaudited)	30 June 2021 (unaudited)
Separate income statement		
Interest income calculated using the EIR method	8,498	8,152
Fee and commission income	1	510
Net (losses)/gains from operations with investments at fair value through profit or loss	(110)	148
Net (losses)/gains from operations with securities at fair value through other comprehensive income	(689)	4,018
Net losses from sale of loans to customers	(15,447)	–
Other (expenses)/income	(2)	292

28. Capital adequacy

The capital adequacy ratio is estimated as the ratio of the capital base to risk-weighted assets expressed as a percentage.

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

	30 June 2022 (unaudited)	31 December 2021
Capital		
Tier 1 capital	326,820	488,781
Tier 2 capital	–	8,633
Total regulatory capital	326,820	497,414
Risk-weighted assets		
Credit risk	985,501	1,215,572
Market risk	385,771	240,488
Operational risk	53,566	52,328
Total risk-weighted assets	1,424,838	1,508,388
Total capital expressed as a percentage of risk-weighted assets, % ("capital adequacy ratio")	22.94%	32.98%
Total tier 1 capital expressed as a percentage of risk-weighted assets, % ("tier 1 capital adequacy ratio")	22.94%	32.40%

29. Events after the reporting period

In July, 2022, the Czech Republic and the Slovak Republic officially started the withdrawal procedure from the Bank; they withdrew from the Bank on 27 January 2023 and 29 January 2023, respectively. The Board of Governors approved governing principles for settlement of mutual obligations between the Bank and the withdrawing members. The Slovak Republic agreed to the approach. The relevant bilateral agreement has yet to be finalized and implemented. The Czech Republic has yet to agree to this approach in principal, however, the Bank notes that the withdrawing principals are now fixed, unless the Board of Governors votes to change them.

On 18 October 2022, the Bank repaid bonds in amount HUF 10,823 million (EUR 26,322 thousand).

On 2 November 2022, the Bank repaid bonds in amount RON 500 million (EUR 101,872 thousand).

On 30 January 2023, the Board of Governors approved restructuring of the Bank's paid-in capital. Following this decision, the Bank converted part of the Russian Federation's share into a subordinated loan, which resulted in decrease of share to 45.44%.

(End)