Report on Review of Interim Financial Information of
International Investment Bank and its subsidiary
for the six months ended 30 June 2021

July 2021

Contents

Ernst & Young Kft.
Ernst & Young Ltd.
H-1132 Budapest Váci út 20.
1399 Budapest 62. Pf.632, Hungary

Tel: +36 1 451 8100
Fax: +36 1 451 8199
www.ey.com/hu
Cg. 01-09-267553

Report on Review of Interim Financial Information

To the Board of Governors of International Investment Bank

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of International Investment Bank and its subsidiary, which comprise the interim consolidated statement of financial position as at 30 June 2021, the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated 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.

Nagyváradiné Szépfalvi Zsuzsanna
Partner
Ernst & Young Könyvvizsgáló Kft.

29 July 2021

1132 Budapest

Váci út 20.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

(Thousands of euros)

	Note	*30 June 2021 (unaudited)*	*31 December 2020*
Assets			
Cash and cash equivalents	5	165,679	86,204
Deposits with banks and other financial institutions	6	29,258	29,434
Derivative financial assets	7	11,586	19,200
Investments at fair value through profit or loss	8	10,330	9,063
Securities at fair value through other comprehensive income	9	188,061	224,297
Securities at fair value through other comprehensive income pledged under repurchase agreements	9	17,051	28,456
Securities at amortized cost	10	91,438	45,647
Securities at amortized cost pledged under repurchase agreements	10	–	49,405
Loans to banks	11	97,314	92,403
Loans to customers	12	955,802	888,514
Loans to customers pledged under repurchase agreements	12	42,029	47,371
Investment property		33,034	33,004
Property, equipment and intangible assets		67,454	65,601
Other assets	13	2,830	2,411
Total assets		**1,711,866**	**1,621,010**
Liabilities			
Due to banks and other financial institutions	15	81,554	147,086
Derivative financial liabilities	7	40,773	39,693
Current customer accounts		14,316	12,871
Long-term loans of banks	16	78,504	77,007
Debt securities issued	17	1,036,191	876,516
Other liabilities	13	13,022	13,221
Total liabilities		**1,264,360**	**1,166,394**
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		(745,790)	(745,790)
Paid-in capital		**378,710**	**378,710**
Revaluation reserve for securities at fair value through other comprehensive income		4,967	8,225
Revaluation reserve for property and equipment		8,432	8,432
Cash flow hedge reserve	7	(11,326)	(248)
Foreign currency translation reserve		(134)	(133)
Retained earnings less net income for the period		59,630	52,331
Net income for the period		7,227	7,299
Total equity		**447,506**	**454,616**
Total equity and liabilities		**1,711,866**	**1,621,010**

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

Nikolay Kosov — Chairperson of the Management Board

Elena Minduksheva — Deputy Director of the Finance Department

29 July 2021

The accompanying notes 1-28 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2021

(Thousands of euros)

	Note	*For six months ended 30 June (unaudited)* 2021	2020
Interest income calculated using the EIR method	21	25,072	21,565
Other interest income	21	10,326	9,214
Interest expense calculated using the EIR method	21	(20,031)	(16,460)
Other interest expense	21	(4,030)	(5,409)
Net interest income		**11,337**	**8,910**
Net allowance for credit losses on financial instruments	5-6, 9, 11-12, 13-14, 14, 19	221	(2,015)
Net interest income after allowance for loan impairment		**11,558**	**6,895**
Fee and commission income		806	1,195
Fee and commission expense		(175)	(154)
Net fee and commission income		**631**	**1,041**
Net losses from operations with foreign currencies and derivatives	22	(2,986)	(1,209)
Gains from operations with investments at fair value through profit or loss		680	–
Net gains from operations with investments at fair value through other comprehensive income	9, 12	4,744	5,462
Income from lease of investment property	20	1,087	1,181
Gains from sale of property		–	647
Other income/(expenses)		472	(265)
Net non-interest income/(expenses)		**3,997**	**5,816**
Operating income		**16,186**	**13,752**
General and administrative expenses	23	(8,758)	(8,551)
Other operating expenses on banking operations		(201)	(232)
Operating expenses		**(8,959)**	**(8,783)**
Net income for the period		**7,227**	**4,969**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2021

(Thousands of euros)

		For six months ended 30 June (unaudited)	
	Note	**2021**	**2020**
Net income for the period		**7,227**	**4,969**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in the fair value of debt instruments at fair value through other comprehensive income	18	(3,392)	(2,540)
Net unrealized (loss)/income on cash flow hedges	7	(11,078)	3,199
Change in the allowance for expected credit losses related to securities at fair value through other comprehensive income	9, 12	134	277
Translation differences		(1)	(30)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**(14,337)**	**906**
Other comprehensive (loss)/income		**(14,337)**	**906**
Total comprehensive (loss)/income for the period		**(7,110)**	**5,875**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021

(Thousands of euros)

	Authorized capital	*Unallocated capital*	*Callable capital*	*Revaluation reserve for securities*	*Revaluation reserve for property and equipment*	*Cash flow hedge reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Total equity*
At 1 January 2020	**2,000,000**	**(875,500)**	**(784,888)**	**6,157**	**10,861**	**(809)**	**(75)**	**52,331**	**408,077**
Profit for the period (unaudited)	–	–	–	–	–	–	–	4,969	**4,969**
Other comprehensive (loss)/income (unaudited)	–	–	–	(2,263)	–	3,199	(30)	–	**906**
Total comprehensive (loss)/income (unaudited)	**–**	**–**	**–**	**(2,263)**	**–**	**3,199**	**(30)**	**4,969**	**5,875**
Contributions to capital (Note 18) (unaudited)	–	–	36,143	–	–	–	–	–	**36,143**
At 30 June 2020 (unaudited)	**2,000,000**	**(875,500)**	**(748,745)**	**3,894**	**10,861**	**2,390**	**(105)**	**57,300**	**450,095**
At 1 January 2021	**2,000,000**	**(875,500)**	**(745,790)**	**8,225**	**8,432**	**(248)**	**(133)**	**59,630**	**454,616**
Profit for the period (unaudited)	–	–	–	–	–	–	–	7,227	**7,227**
Other comprehensive loss (unaudited)	–	–	–	(3,258)	–	(11,078)	(1)	–	**(14,337)**
Total comprehensive income/(loss) (unaudited)	**–**	**–**	**–**	**(3,258)**	–	**(11,078)**	**(1)**	**7,227**	**(7,110)**
At 30 June 2021 (unaudited)	**2,000,000**	**(875,500)**	**(745,790)**	**4,967**	**8,432**	**(11,326)**	**(134)**	**66,857**	**447,506**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2021

(Thousands of euros)

		For six months ended 30 June (unaudited)	
	Note	*2021*	*2020*
Cash flows from operating activities			
Interest, fees and commissions received		16,206	19,914
Interest, fees and commissions paid		(1,193)	(259)
Realized gains less losses from operations with foreign currencies and derivatives		1,931	(28,404)
Cash flows from lease of investment property	20	1,087	1,181
General and administrative expenses		(8,124)	(7,402)
Other net operating income on banking operations		488	74
Cash flows from operating activities before changes in operating assets and liabilities		**10,395**	**(14,896)**
Net (increase)/decrease in operating assets			
Deposits with banks and other financial institutions		214	4,332
Loans to banks	11	(2,441)	(8,494)
Loans to customers	12	(42,188)	(79,086)
Other assets		955	787
Net increase/(decrease) in operating liabilities			
Due to banks and other financial institutions	15	(66,597)	116,376
Current customer accounts		415	(607)
Other liabilities		1,349	(453)
Net cash flows (used in) / from operating activities		**(97,898)**	**17,959**
Cash flows from investing activities			
Interest received		3,641	3,943
Investments in the fund	8	(398)	(136)
Purchase of securities at fair value through other comprehensive income	9	(85,022)	(230,123)
Proceeds from sale and redemption of securities at fair value through other comprehensive income	9	136,341	153,052
Proceeds from redemption of securities at amortized cost	10	4,975	856
Proceeds from sale of investment property		–	3,690
Investments in investment property		(30)	–
Acquisition of property, equipment and intangible assets		(3,749)	(27,384)
Net cash flows from / (used in) investing activities		**55,758**	**(96,102)**
Cash flows from financing activities			
Interest paid		(11,513)	(9,657)
Long-term interbank financing raised	16	–	31,564
Long-term interbank financing repaid	16	–	(6,000)
Debt securities issued	17	213,155	283,173
Redemption and repurchase of debt securities	17	(80,329)	(124,177)
Contributions to capital	18	–	36,143
Net cash flows from financing activities		**121,313**	**211,046**
Effect of exchange rate changes on cash and cash equivalents		302	(10,620)
Net decrease in cash and cash equivalents		**79,475**	**122,283**
Cash and cash equivalents, beginning		86,204	48,047
Cash and cash equivalents, ending	5	**165,679**	**170,330**

The accompanying notes 1-28 are an integral part of these interim condensed consolidated 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 and its subsidiary comprise the Group. The Group 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 Group also performs transactions with securities and foreign currencies.

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

The Group continues to expand its operations in accordance with its mandate and strategic objectives established by the member countries:

- The return of Hungary as a member state five years ago and its continuously active stance on key issues have largely determined the success of the comprehensive "Europeanization" of the Bank. As a result, last year IIB acquired its new seat in the Hungarian capital, becoming the only multilateral financial development institution with headquarters in the CEE region;
- In the current challenging situation due to the COVID-19 pandemic, the Group steadily continues its operations, showing positive financial results and meeting financial obligations. During the unfolding pandemic, due to the development and enhancement of business processes, decision-making procedures and IT solutions, as well as technological support, IIB has managed to ensure continuous effective management of operational processes, reporting and communications with shareholders. Since June 2020, online meetings of the Board of Directors, Board of Governors and Audit Committee have been organized and run smoothly and at a high level. The efficiency and speed of administrative decision-making has remained at the adequate level;
- Since the beginning of this year, two rating agencies have already taken action with regard to IIB. On 31 March 2021 S&P Global affirmed long-term rating of International Investment Bank at "A-" with a stable outlook. S&P underlined that IIB managed to improve its capital adequacy thanks to the additional capitalization program and paid-in capital installments from member states executed in 2020 within its framework. In April 2021, ACRA affirmed A rating to International Investment Bank, outlook Stable, under the international scale and AAA(RU), outlook Stable, under the national scale for the Russian Federation. The agency also affirmed AAA(RU) to the IIB bond issues;
- IIB started its funding activities in 2021 by placing a transaction under its MTN Program with a record-long maturity of 20 years. The new transaction in the amount of EUR 30 million and priced at MS+90 bps (0.95% annual coupon) was listed on the Irish Stock Exchange (included in Debt securities issued, Note 17). This deal provides for the longest-ever attracted maturity, which helps to improve the overall maturity profile of IIB's funding and extend the duration of its liabilities;
- In March 2021, the Group achieved a new lowest euro after-swap price for its funding. That was Group's third private placement (included in Debt securities issued, Note 17), denominated in Hungarian forint, in the volume of HUF 8.5 billion (EUR 23,154 thousand) with the coupon amounting to 1.90% p.a. reaching an after-swap price of 0.065% p.a.;
- The first half of 2021 is a period of successful funding for the IIB. Under the already mentioned updated MTN program, for the first time in its 50-year-long history the Group reached a negative interest rate of EUR fixed -0.05% p.a. on the after-swap basis, by placing a floating rate note amounting to RON 190 million (EUR 38,876 thousand) with 2-year maturity (included in Debt securities issued, Note 17);

(Thousands of euros)

1. Principal activities (continued)

- In May 2021, following its mission and Policy on Environmental and Social Sustainability IIB, became a major investor of a corporate green bond issue placed by Vajda-Papír Ltd. on the Budapest Stock Exchange (included in Loans to customers, Note 12);
- Since 1 May 2021, IIB has become a member of the international platform "International Public Information Directors Roundtable", which brings together specialists in the field of external communications and information. Membership is possible only by personal invitation from the organization. Participation provides direct access to information on modern communication trends and directions, as well as contributes to the effective implementation of IIB Communication Policy approved by the Board of Directors in June 2020.

Member countries of the Bank

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

Member countries	*30 June 2021, % (unaudited)*	*31 December 2020, %*
Russian Federation	45.065	45.065
Hungary	17.296	17.296
Republic of Bulgaria	11.144	11.144
Czech Republic	9.869	9.869
Romania	6.893	6.893
Slovak Republic	6.452	6.452
Republic of Cuba	1.416	1.416
Socialist Republic of Vietnam	0.969	0.969
Mongolia	0.896	0.896
	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 countries 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 consolidated 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 Group. Future evolution of the conditions in which the Group operates may differ from the assessment made by the management for the purposes of these interim condensed consolidated financial statements.

2. Basis of preparation

General

These interim condensed consolidated financial statements have been prepared for the six months ended 30 June 2021 in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* approved by the International Accounting Standards Board.

The interim condensed consolidated financial statements have been prepared on a going concern assumption. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

(Thousands of euros)

2. Basis of preparation (continued)

Effect of COVID-19 pandemic

Due to rapid spread of COVID-19 pandemic in the early of 2020 most countries have taken restrictive measures such as stay-at-home orders and business lock-downs, which have been massively affecting both social and economic activities. Policy-makers, central banks and regulators have responded by taking action, including multi-billion aid programs providing social and economic support, rate cuts and loan repayment moratoria to cushion the negative impacts on the economy going forward. In 2021, the epidemic situation is gradually improving. However, the recovery of the global economy is closely related to the imposed restrictive measures. Despite the significant estimation uncertainty, the Group believes that its current liquidity position is sufficient to ensure the sustainable operation.

The changes in the economic environment, described above, do not have a significant impact on the Group's operations. However, the Group continues to assess pandemic effect and changing micro- and macroeconomic conditions on its activities, financial position and financial results. In 2021 the Group applied the following international practices consistent with the recommendations of the International Accounting Standards Board and the European Banking Authority to reflect appropriately the uncertainty associated with the COVID-19 pandemic:

- Refinement of macro-adjustment calculation approach;
- Adjustments to provisions on the basis of rescheduled payment for the borrowers subject to restructuring.

Subsidiary

As at 30 June 2021, the Bank is a parent company of the Group, which owns CJSC 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 2021, the authorized capital of the subsidiary is RUB 44.5 thousand (31 December 2020: RUB 44.5 thousand), which is equivalent to EUR 1.1 thousand at the historical exchange rate at the date of establishment of the subsidiary.

Basis of measurement

These interim condensed consolidated 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 Group's functional and presentation currency as it reflects the economic substance of the underlying operations conducted by the Group and circumstances affecting its operations, because most financial assets and financial liabilities as well as income and expenses of the Group are denominated in EUR.

These interim condensed consolidated 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 consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020. The nature and the effect of these changes are disclosed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued, but is not yet effective.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

(Thousands of euros)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no material impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

4. Significant accounting judgments and estimates

Assumptions and estimation uncertainty

In the process of applying the Group'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 consolidated financial statements, which have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements and the carrying amount of assets and liabilities in the following reporting period. 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.

When measuring expected credit losses, the Group considers reasonable and supportable information on current and expected future economic conditions. As such, the Group regularly updates macroeconomic scenarios and models used to measure key components, which are considered when determining expected credit losses. In order to plot the expected recovery from the crisis caused by COVID-19, the Group revised its macroeconomic projections in the models of macroeconomic adjustments while estimating the expected credit losses. The Group prepared forecasts for each macroeconomic region considering the average of estimates from established providers such as Bloomberg, IMF, Eurostat, etc. Expected credit losses were estimated considering the availability of state reserves to support economic measures, the differentiated effect of changes on various industries and specifics of the Bank's assets subject to provisioning in accordance with IFRS 9. The Group continues to estimate the effect of COVID-19 on its borrowers and regularly reviews components of expected credit losses.

The measurement of expected credit loss allowance for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(Thousands of euros)

4. Significant accounting judgments and estimates (continued)

Assumptions and estimation uncertainty (continued)

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board and the European Banking Authority, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the consolidated financial statements.

The Group refined the approach to calculating macro-adjustments to the probability of default (PD) of borrowers. Macro-adjustment models were applied which reflect more accurately changed economic conditions.

Impact of the changed macroeconomic conditions assessed using the approaches described above was the main factor for the significant increase in cost of risk in the six months of 2020. As a result during the year ended 31 December 2020 there was an increase of the expected credit loss allowance in the amount of EUR 1,566 thousand. Nevertheless, during the half-year ended 30 June 2021, current market sentiments regarding the gradual fading of the COVID-19 pandemic and subsequent improvement of the macroeconomic situation resulted in more optimistic macro forecasts.

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 10 – Securities at amortized cost;
- Note 11 – Loans to banks;
- Note 12 – Loans to customers;
- Note 19 – Commitments and contingencies.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2021 (unaudited)	***31 December 2020***
Cash on hand	**145**	**326**
Nostro accounts with banks and other financial institutions		
Credit rating from A- to A+	159,166	83,318
Credit rating from BBB- to BBB+	5,216	1,574
Credit rating from BB- to BB+	891	725
Total nostro accounts with banks and other financial institutions	**165,273**	**85,617**
Short-term deposits with banks		
Credit rating BBB-	262	261
Total short-term deposits with banks	**262**	**261**
Less: allowance for impairment of cash and cash equivalents	(1)	–
Cash and cash equivalents	**165,679**	**86,204**

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

During the six month ended 30 June 2021 there were no significant movements in the ECL on cash and cash equivalents (the six month ended 30 June 2020: no allowance).

(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:

	30 June 2021 (unaudited)	*31 December 2020*
Term deposits up to 1 year		
Credit rating A	112	358
Total term deposits up to 1 year	**112**	**358**
Term deposits over 1 year		
Credit rating from AA- to AA+	12,090	10,170
Credit rating from A- to A+	16,590	18,790
Credit rating from BBB- to BBB+	466	116
Total term deposits over 1 year	**29,146**	**29,076**
Deposits with banks and other financial institutions	**29,258**	**29,434**

As at 30 June 2021, in addition to term deposits above, EUR 34,967 thousand (31 December 2020: EUR 34,967 thousand) were due to the Bank from the Central Bank of Cuba. This amount was fully provisioned as at 30 June 2021 (31 December 2020: EUR 34,967 thousand).

Concentration of deposits with banks and other financial institutions

As at 30 June 2021, besides deposits with the Central Bank of Cuba, the Group had deposits of two counterparties (31 December 2020: three counterparties) to each of them accounting for over 10% of the Group's total deposits with banks and other financial institutions and amounting to EUR 25,730 thousand in total (31 December 2020: EUR 28,960 thousand).

7. Derivative financial instruments

The Group 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.

(intentionally blank)

(Thousands of euros)

7. Derivative financial instruments (continued)

The table below shows the fair value of derivative financial instruments as 30 June 2021 and 31 December 2020 and notional amounts of term contracts for the purchase and sale of foreign currency specifying contractual exchange rates.

	30 June 2021 (unaudited)				
	Nominal amount		***Weighted average***	***Fair value***	
	Purchase	***Sale***	***exchange rate***	***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	–	2,257
	EUR 44,560 thousand	RUB 4,000,000 thousand	89.77	–	2,119
	HUF 12,800,000 thousand	EUR 40,851 thousand	313.33	–	4,288
	EUR 237,101 thousand	USD 276,051 thousand	1.16	5,184	2,292
	EUR 59,419 thousand	HUF 20,926,248 thousand	352.18	990	567
	EUR 24,410 thousand	RON 116,599 thousand	4.78	676	–
	RON 250,000 thousand	EUR 53,648 thousand	4.66	–	2,754
	HUF 11,900,000 thousand	USD 43,139 thousand	275.85	–	3,276
	USD 10,000 thousand	EUR 8,440 thousand	1.18	–	32
Forwards	EUR 45,000 thousand	USD 54,878 thousand	1.22	–	1,101
Total derivative financial assets and liabilities at fair value through profit or loss				**6,850**	**18,686**
Derivative financial assets and liabilities designated as hedging instruments					
Swaps	HUF 46,000,000 thousand	EUR 132,568 thousand	346.99	1,326	4,314
	RUB 16,000,000 thousand	EUR 197,048 thousand	81.20	–	17,139
	CZK 3,120,000 thousand	EUR 118,957 thousand	26.23	2,939	–
	RON 945,000 thousand	EUR 196,354 thousand	4.81	471	634
Total derivative financial assets and liabilities designated as hedging instruments				**4,736**	**22,087**
Derivative financial instruments				**11,586**	**40,773**

	31 December 2020				
	Nominal amount		***Weighted average***	***Fair value***	
	Purchase	***Sale***	***exchange rate***	***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	52	–
	HUF12,800,000 thousand	EUR 40,851 thousand	313.33	–	5,093
	EUR 217,437 thousand	USD 249,607 thousand	1.15	11,218	–
	EUR 52,079 thousand	HUF 18,350,000 thousand	352.35	1,800	291
	EUR 24,410 thousand	RON 116,599 thousand	4.78	484	–
	CZK 1,500,000 thousand	EUR 58,749 thousand	25.53	–	1,582
	RON 360,000 thousand	EUR 76,375 thousand	4.71	789	2,190
	HUF 11,900,000 thousand	USD 43,139 thousand	275.85	–	3,871
	USD 32,000 thousand	EUR 26,409 thousand	1.21	–	417
Forwards	EUR 45,000 thousand	USD 51,710 thousand	1.14	2,970	–
Total derivative financial assets and liabilities at fair value through profit or loss				**17,313**	**13,444**
Derivative financial assets and liabilities designated as hedging instruments					
Swaps	HUF 37,500,000 thousand	EUR 109,261 thousand	343.21	–	6,660
	RUB 16,000,000 thousand	EUR 197,048 thousand	81.20	–	19,526
	CZK 621,000 thousand	EUR 22,582 thousand	27.50	947	–
	RON 755,000 thousand	EUR 157,467 thousand	4.79	940	63
Total derivative financial assets and liabilities designated as hedging instruments				**1,887**	**26,249**
Derivative financial instruments				**19,200**	**39,693**

(Thousands of euros)

7. Derivative financial instruments (continued)

As at 30 June 2021 and 31 December 2020, the Group 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 Group'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 Group 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 consolidated income statement.

When the hedged cash flow affects the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Group'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 Group considers the hedge of HUF-, RON-, CZK, RUB-denominated fixed and CZK, RON-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 consolidated statement of financial position, where the hedged item is recorded, is Debt securities issued.

To test the hedge effectiveness, the Group 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 Group, 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 Group (Note 16), the Group 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 Group. Payment netting is not applied to the parties' obligations in respect of interest and principal payments.

The Group 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 24 March 2021;
- In Hungarian forint (HUF) placed on 18 October 2019, 28 September 2020 and 18 March 2021;
- In Russian ruble (RUB) placed on 29 April 2020, 19 May 2020 and 11 September 2020;
- In Czech korunas (CZK) placed on 19 May 2020 and 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 Group'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 2021 (unaudited)				
			Changes in fair value of hedging instruments used for ineffectiveness measurement		
	Change in fair value of hypothetical derivative used for ineffectiveness measurement	*Net interest income*	*Change in fair value excluding net interest income*	*Effective portion of change in fair value excluding net interest income*	*Hedge ineffectiveness identified recognized in the income statement in 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)**

	30 June 2020 (unaudited)				
			Changes in fair value of hedging instruments used for ineffectiveness measurement		
	Change in fair value of hypothetical derivative used for ineffectiveness measurement	*Net interest income*	*Change in fair value excluding net interest income*	*Effective portion of change in fair value excluding net interest income*	*Hedge ineffectiveness identified recognized in the income statement in Net losses from operations with foreign currencies and derivatives*
Micro-cash flow hedges					
Fixed rate HUF bonds	(4,789)	253	(4,978)	(4,978)	–
Fixed rate RON bonds	(42)	1,772	269	269	–
Fixed rate RUB bonds	2,582	1,401	3,241	3,179	62
Floating rate CZK bonds	134	(1)	9	9	–
	(2,115)	**3,425**	**(1,459)**	**(1,521)**	**62**

(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 2021 (unaudited)			
	Opening balance of cash flow hedge reserve as at 1 January 2021	***Foreign currency revaluation of hedged item***	***Change in fair value of hedging instruments excluding net interest income/(expense)***	***Closing balance of cash flow hedge reserve as at 30 June 2021***
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)**

	30 June 2020 (unaudited)			
	Opening balance of cash flow hedge reserve as at 1 January 2020	***Foreign currency revaluation of hedged item***	***Change in fair value of hedging instruments excluding net interest expense***	***Closing balance of cash flow hedge reserve as at 30 June 2020***
Fixed rate HUF bonds	65	4,838	(4,978)	(75)
Fixed rate RON bonds	(874)	1,280	269	675
Fixed rate RUB bonds	–	(1,202)	3,179	1,977
Floating rate CZK bonds	–	(196)	9	(187)
	(809)	**4,720**	**(1,521)**	**2,390**

(Thousands of euros)

7. Derivative financial instruments (continued)

Micro-cash flow hedges (continued)

Change in fair value of hypothetical derivatives for the six months ended 30 June 2021 reporting period used for ineffectiveness measurement was EUR 4,159 thousand (six months ended 30 June 2020: EUR (2,115) thousand), change in fair value of hedging instruments used for ineffectiveness measurement was EUR 3,805 thousand (30 June 2020: EUR (1,521) thousand) and was presented in OCI in "Net unrealized losses on cash flow hedges". During six months 2021 change in fair value of hedging instruments of EUR (14,883) thousand (six months 2020: EUR 4,720 thousand) was reclassified from "Net unrealized (losses)/income on cash flow hedges" into "Net losses from operations with foreign currencies and derivatives".

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

	30 June 2021 (unaudited)	***31 December 2020***
	1 to 5 years	*1 to 5 years*
Micro-cash flow hedges		
Cross currency interest rate swaps		
Notional principal	132,568	109,261
Average interest rate	0.49%	0.63%
Average HUF/EUR rate	346.99	343.21
Notional principal	196,354	105,122
Average interest rate	0.26%	0.36%
Average RON/EUR rate	4.81	4.76
Notional principal	197,048	197,048
Average interest rate	1.49%	1.33%
Average RUB/EUR rate	81.20	81.20
Notional principal	118,957	22,582
Average interest rate	0.16%	1.09%
Average CZK/EUR rate	26.23	27.50

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships that will be affected by IBOR reform as financial instruments transition to RFRs, analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Group manages through hedging relationships.

	30 June 2021 (unaudited)		***31 December 2020***	
	Nominal amount	***Average maturity (years)***	***Nominal amount***	***Average maturity (years)***
Micro-cash flow hedges				
Cross currency interest rate swaps				
EURIBOR3M to fixed rate	105,122	1.3	105,122	1.8
EURIBOR6M to fixed rate	87,079	3.8	87,078	4.3
EURIBOR3M to PRIBOR3M	22,582	1.9	22,582	2.4
fixed rate to ROBOR3M	38,886	1.7	–	–
	253,669		**214,782**	

(Thousands of euros)

8. Investments at fair value through profit or loss

Investments at fair value through profit or loss comprise:

	30 June 2021 (unaudited)	*31 December 2020*
Owned by the Group		
Corporate bonds		
Credit rating BBB	8,211	7,684
Corporate bonds	**8,211**	**7,684**
Other investments		
Investments in the fund	2,119	1,379
Other investments	**2,119**	**1,379**
Total investments at fair value through profit or loss	**10,330**	**9,063**

9. Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income comprise:

	30 June 2021 (unaudited)	*31 December 2020*
Owned by the Group		
Listed debt securities at fair value through other comprehensive income		
Government bonds of member countries		
Credit rating from BBB- to BBB+	–	67,604
Government bonds of non-member countries		
Credit rating from AA- to AA+	16,628	16,151
Government bonds	**16,628**	**83,755**
Corporate bonds		
Credit rating AAA	28,381	30,279
Credit rating from AA- to AA+	52,116	16,342
Credit rating from A- to A+	59,349	57,988
Credit rating from BBB- to BBB+	21,585	11,159
Credit rating from BB- to BB+	10,002	24,774
Corporate bonds	**171,433**	**140,542**
Total listed debt securities at fair value through other comprehensive income	**188,061**	**224,297**
Securities at fair value through other comprehensive income	**188,061**	**224,297**

	30 June 2021 (unaudited)	*31 December 2020*
Pledged under repurchase agreements		
Listed debt securities at fair value through other comprehensive income		
Corporate bonds		
Credit rating AAA	17,051	6,238
Credit rating from AA- to AA+	–	22,218
Corporate bonds	**17,051**	**28,456**
Total listed debt securities at fair value through other comprehensive income pledged under repurchase agreements	**17,051**	**28,456**

(Thousands of euros)

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

An analysis of changes in the ECL related to securities at fair value through other comprehensive income for the six months ended 30 June 2021 and 30 June 2020 are as follows:

Securities at fair value through other comprehensive income	***Stage 1***	***Total***
Allowance for ECL at 1 January 2021	**161**	**161**
New purchased or originated assets	41	**41**
Assets derecognized or redeemed	(127)	**(127)**
Changes to inputs used for ECL calculations	22	**22**
Foreign exchange differences	2	**2**
At 30 June 2021 (unaudited)	**99**	**99**

Securities at fair value through other comprehensive income	***Stage 1***	***Total***
Allowance for ECL at 1 January 2020	**169**	**169**
New purchased or originated assets	178	**178**
Assets derecognized or redeemed	(206)	**(206)**
Changes to models and inputs used for ECL calculations	139	**139**
Foreign exchange differences	(3)	**(3)**
At 30 June 2020 (unaudited)	**277**	**277**

Government bonds comprise USD-denominated securities issued and guaranteed by the Ministries of Finance of the countries. The bonds mature in 2024 (31 December 2020: maturing in 2024-2035). The annual coupon rate for these bonds is 2.0% (31 December 2020: from 1.8% to 2.0%).

Corporate bonds comprise bonds issued by large companies and banks of the member countries of the Group, as well as international companies and development banks with goals and missions similar to those of the Bank. The bonds mature in 2021-2028 (31 December 2020: maturing in 2021-2028). The annual coupon rate for these bonds varies from 0.0% to 8.0% (31 December 2020: from 0.0% to 8.0%).

10. Securities at amortized cost

Securities at amortized cost comprise:

	30 June 2021 (unaudited)	***31 December 2020***
Owned by the Group		
Listed debt securities at amortized cost		
Government bonds of non-member countries		
Credit rating AAA	5,753	5,767
Government bonds	**5,753**	**5,767**
Corporate bonds		
Credit rating AAA	21,011	25,812
Credit rating AA	19,066	4,101
Credit rating A-	10,038	9,992
Credit rating from BBB- to BBB+	35,631	–
Corporate bonds	**85,746**	**39,905**
Less: allowance for impairment securities at amortized cost	(61)	(25)
Listed debt securities at amortized cost	**91,438**	**45,647**
Pledged under repurchase agreements		
Listed debt securities at amortized cost		
Corporate bonds		
Credit rating AAA	–	13,690
Credit rating from BBB- to BBB+	–	35,755
Corporate bonds	**–**	**49,445**
Less: allowance for impairment of securities at amortized cost	–	(40)
Total listed debt securities at amortized cost pledged under repurchase agreements	**–**	**49,405**

(Thousands of euros)

10. Securities at amortized cost (continued)

An analysis of changes in the ECL related to securities at amortized cost for the six months ended 30 June 2021 and 30 June 2020 are as follows:

Securities at amortized cost	*Stage 1*	*Total*
Allowance for ECL at 1 January 2021	**65**	**65**
New purchased or originated assets	41	**41**
Assets derecognized or redeemed	(47)	**(47)**
Foreign exchange differences	2	**2**
At 30 June 2021 (unaudited)	**61**	**61**

Securities at amortized cost	*Stage 1*	*Total*
Allowance for ECL at 1 January 2020	**60**	**60**
New purchased or originated assets	73	**73**
Assets derecognized or redeemed	(85)	**(85)**
Changes to models and inputs used for ECL calculations	99	**99**
Foreign exchange differences	(1)	**(1)**
At 30 June 2020 (unaudited)	**146**	**146**

Government bonds comprise EUR-denominated securities issued and guaranteed by the Ministries of Finance of the countries. The bonds mature in 2040 (31 December 2020: 2040). The annual coupon rate for these bonds 0.5% (31 December 2020: 0.5%).

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 2024-2029 (31 December 2020: 2021-2029). The coupon rate for these bonds varies from 0.6% to 2.2% (31 December 2020: 0.6% to 2.2%).

11. Loans to banks

During the six months ended 30 June 2021, the Group 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 Group considers national development institutes, export and import banks and agencies, international financial organizations and development banks as its key business partners.

During the six months ended 30 June 2021 and in 2020, the Group provided trade financing loans and long-term loans to borrowers operating in the following countries:

	30 June 2021 (unaudited)	*31 December 2020*
Trade financing loans		
Republic of Belarus	2,064	3,705
Mongolia	1,000	1,952
Trade financing loans	**3,064**	**5,657**
Long-term loans to banks		
Republic of Cuba	40,579	39,540
Socialist Republic of Vietnam	35,439	35,133
Mongolia	20,364	13,996
Long-term loans to banks	**96,382**	**88,669**
Less: allowance for impairment of loans to banks	(2,132)	(1,923)
Loans to banks	**97,314**	**92,403**

(Thousands of euros)

11. Loans to banks (continued)

An analysis of changes in the ECL related to trade financing loans for the six months ended 30 June 2021 and 30 June 2020 are as follows:

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	(45)	**(45)**
Changes to inputs used for ECL calculations	2	**2**
At 30 June 2021 (unaudited)	**53**	**53**

Trade financing loans	*Stage 1*	*Total*
Allowance for ECL at 1 January 2020	**179**	**179**
New purchased or originated assets	20	**20**
Assets derecognized or redeemed	(360)	**(360)**
Changes to models and inputs used for ECL calculations	666	**666**
At 30 June 2020 (unaudited)	**505**	**505**

An analysis of changes in the ECL related to long-term loans to banks for the six months ended 30 June 2021 and 30 June 2020 are as follows:

Long-term loans to banks	*Stage 1*	*Stage 2*	*Total*
Allowance for ECL at 1 January 2021	**1,575**	**306**	**1,881**
New purchased or originated assets	236	–	**236**
Assets derecognized or redeemed	(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**

Long-term loans to banks	*Stage 1*	*Total*
Allowance for ECL at 1 January 2020	**1,491**	**1,491**
New purchased or originated assets	22	**22**
Assets derecognized or redeemed	(301)	**(301)**
Changes to models and inputs used for ECL calculations	194	**194**
Foreign exchange differences	(6)	**(6)**
At 30 June 2020 (unaudited)	**1,400**	**1,400**

As at 30 June 2021, there were no overdue loans to banks (31 December 2020: no overdue).

Modified and restructured loans to banks

For the six month ended 30 June 2021, there were no modified nor restructured loans to banks (For the six month ended 30 June 2020: has modified the terms and conditions of loans to banks, including introduction of payment holidays, as part of the measures related to consequences of COVID-19 pandemic. The Group 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 2021 and 30 June 2020 are as follows:

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

	Mongolia	*Socialist Republic of Vietnam*	*Republic of Cuba*	*Other*	*Total*
Allowance for ECL at 1 January 2020	**609**	**464**	**332**	**265**	**1,670**
Net (reversal)/charge for impairment allowance for ECL during the period	(181)	167	(41)	296	**241**
Foreign exchange differences	(3)	(4)	–	1	**(6)**
At 30 June 2020 (unaudited)	**425**	**627**	**291**	**562**	**1,905**

(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 2021 and 31 December 2020.

	30 June 2021		*31 December 2021*	
	Loans to banks, net of allowance for impairment	*Share in the total loans, %*	*Loans to banks, net of allowance for impairment*	*Share in the total loans, %*
State guarantees	39,616	40.7	38,953	42.2
Uncollateralized part of the loans	57,698	59.3	53,450	57.8
Loans to banks	**97,314**	**100.0**	**92,403**	**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 2021, long-term loans and trade financing loans to five banks (31 December 2020: five banks) with a total amount of loans to each of them exceeding 10% of total loans to banks were recorded on the Group's consolidated statement of financial position. As at 30 June 2021, the total amount of such major loans was EUR 88,092 thousand (31 December 2020: EUR 88,670 thousand) and allowances of EUR 1,867 thousand (31 December 2020: EUR 1,881 thousand) were made for them.

12. Loans to customers

The Group issued loans to customers operating in the following countries:

	30 June 2021 (unaudited)	*31 December 2020*
Owned by the Group		
Loans to customers at amortized cost		
Russian Federation	166,951	126,522
Romania	109,654	115,804
Slovak Republic	90,038	107,894
Republic of Bulgaria	88,614	78,130
Hungary	78,943	70,863
Kingdom of the Netherlands	65,764	37,404
Mongolia	59,395	58,600
Federal Republic of Germany	50,206	50,206
Grand Duchy of Luxembourg	40,060	20,034
Socialist Republic of Vietnam	36,144	38,173
France	35,544	35,272
Republic of Panama	26,060	24,564
The Kingdom of Spain	25,104	25,106
Republic of Ecuador	22,950	23,677
Cyprus	7,841	7,784
USA	1,759	1,816
Total loans to customers at amortized cost	**905,027**	**821,849**
Loans to customers at fair value through other comprehensive income		
Romania	24,200	15,006
Ireland	17,715	–
Slovak Republic	15,123	–
Hungary	–	41,249
Republic of Bulgaria	–	16,767
Total loans to customers at fair value through other comprehensive income	**57,038**	**73,022**
Less: allowance for impairment of loans to customers	(6,263)	(6,357)
Loans to customers	**955,802**	**888,514**

(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.

	30 June 2021 (unaudited)	*31 December 2020*
Pledged under repurchase agreements		
Loans to customers at amortized cost		
Kingdom of the Netherlands	–	30,352
Total loans to customers at amortized cost pledged under repurchase agreements	**–**	**30,352**
Loans to customers at fair value through other comprehensive income		
Hungary	42,029	–
Republic of Bulgaria	–	15,068
Romania	–	2,000
Total loans to customers at fair value through other comprehensive income pledged under repurchase agreements	**42,029**	**17,068**
Less: allowance for impairment of loans to customers	–	(49)
Loans to customers pledged under repurchase agreements	**42,029**	**47,371**

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

An analysis of changes in the ECL related to loans to customers at amortize cost for the six months ended 30 June 2021 and 30 June 2020 are as follows:

Loans to customers at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
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**

Loans to customers at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2020	**2,055**	**765**	**14,317**	**17,137**
New purchased or originated assets	173	3	–	**176**
Assets derecognized or redeemed (excluding write-offs)	(575)	(42)	–	**(617)**
Changes to contractual cash flows due to modifications not resulting in derecognition	6	–	–	**6**
Changes to models and inputs used for ECL calculations	1,473	542	–	**2,015**
Foreign exchange differences	(10)	(1)	(173)	**(184)**
At 30 June 2020 (unaudited)	**3,122**	**1,267**	**14,144**	**18,533**

(intentionally blank)

(Thousands of euros)

12. Loans to customers (continued)

An analysis of changes in the ECL related to loans to customers at fair value through other comprehensive income for the six months ended 30 June 2021 and 30 June 2020 are as follows:

Loans to customers at fair value through other comprehensive income	*Stage 1*	*Total*
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**

Loans to customers at fair value through other comprehensive income	*Stage 1*	*Total*
Allowance for ECL at 1 January 2020	**98**	**98**
New purchased or originated assets	28	**28**
Assets derecognized or redeemed (excluding write-offs)	(59)	**(59)**
Changes to models and inputs used for ECL calculations	198	**198**
At 30 June 2020 (unaudited)	**265**	**265**

For the purposes of these interim condensed consolidated 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 month ended 30 June 2021, there were no modified nor restructured loans to customers (For the six month ended 30 June 2020: no modified nor restructured with significant effect).

(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 2021 and 30 June 2020 are as follows:

	Russian Federation	*Republic of Bulgaria*	*Romania*	*Slovak Republic*	*Hungary*	*Mongolia*	*Socialist Republic of Vietnam*	*Other*	*Total*
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**

	Russian Federation	*Republic of Bulgaria*	*Romania*	*Slovak Republic*	*Hungary*	*Mongolia*	*Socialist Republic of Vietnam*	*Other*	*Total*
Allowance for ECL at 1 January 2020	**232**	**332**	**14,552**	**306**	**353**	**177**	**478**	**707**	**17,137**
Net (reversal)/charge for impairment allowance for ECL during the period	350	49	127	131	(297)	395	106	721	**1,582**
Foreign exchange differences	(5)	–	(175)	–	–	(1)	(3)	(2)	**(186)**
At 30 June 2020 (unaudited)	**577**	**381**	**14,504**	**437**	**56**	**571**	**581**	**1,426**	**18,533**

(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 2021 and 31 December 2020:

	30 June 2021 (unaudited)		*31 December 2020*	
	Loans to customers less impairment allowance	***Share in the total loans, %***	***Loans to customers less impairment allowance***	***Share in the total loans, %***
Pledge of real property (mortgage) and title	101,567	10.2	106,283	11.4
Pledge of equipment and goods in turnover	91,301	9.1	94,843	10.1
Corporate guarantees	73,519	7.4	72,221	7.7
Pledge of shares	60,896	6.1	67,445	7.2
State guarantees	46,373	4.6	45,762	4.9
Pledge of rights of claim	17,232	1.7	12,542	1.3
Pledge of vehicles	10,710	1.1	7,727	0.8
Uncollateralized part of the loans	596,233	59.8	529,062	56.5
Loans to customers	**997,831**	**100.0**	**935,885**	**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 2021, the Group has not recognized a loss allowance of loans to nine borrowers (31 December 2020: eight borrowers) because of the collateral. These loans comprised EUR 146,145 thousand (31 December 2020: EUR 150,652 thousand) in total.

Concentration of loans to customers

As at 30 June 2021, there were no loans to customers (31 December 2020: no loan) with a total amount of loans to each of them exceeding 10% of total loans to customers were recorded on the Group’s consolidated statement of financial position.

(intentionally blank)

(Thousands of euros)

12. Loans to customers (continued)

Analysis of loans to customers by industry

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

	30 June 2021 (unaudited)	*31 December 2020*
Production and transmission of electricity	252,330	269,701
Leasing	118,994	89,852
Financial services	86,979	54,825
Automobile industry	75,310	75,312
Real estate	72,256	70,370
Retail	63,134	63,185
Manufacturing of refined oil products	62,123	61,344
Communications	50,910	51,332
Public health	40,060	20,034
Textile manufacture	29,975	29,969
Metallurgic industry	28,003	32,550
Mining	20,110	19,475
Television and radio	18,786	20,058
Agriculture	17,080	17,602
Transportation and storage	12,416	11,043
Production of pharmaceutical products	12,331	12,759
Accommodation	10,904	10,538
Food and beverage	7,983	9,974
Software engineering	7,841	7,784
Water collection, treatment and supply	4,797	4,783
Postal activities	4,283	4,471
Land transport	4,067	5,330
Paper manufacture	3,422	–
	1,004,094	**942,291**
Less: allowance for impairment of loans to customers	(6,263)	(6,406)
Loans to customers	**997,831**	**935,885**

13. Other assets and liabilities

Other assets comprise:

	30 June 2021 (unaudited)	*31 December 2020*
Financial assets		
Accounts receivable on business operations	549	301
Settlements on bank transactions	525	330
Guarantee payments	4	11
Other financial assets	616	634
	1,694	**1,276**
Less allowance for impairment of financial assets	(224)	(216)
Total financial assets	**1,470**	**1,060**
Non-financial assets		
Total non-financial assets	**1,360**	**1,351**
Other assets	**2,830**	**2,411**

(Thousands of euros)

13. Other assets and liabilities (continued)

An analysis of changes in the ECL allowances during the six months ended 30 June 2021 and 30 June 2020 are as follows:

Financial assets	***Total***
Allowance for ECL at 1 January 2021	**216**
New purchased or originated assets	2
Assets derecognized or redeemed (excluding write-offs)	(2)
Foreign exchange differences	8
At 30 June 2021 (unaudited)	**224**

Financial assets	***Total***
Allowance for ECL at 1 January 2020	**1,763**
New purchased or originated assets	3
Assets derecognized or redeemed (excluding write-offs)	(31)
Changes to models and inputs used for ECL calculations	4
Amounts written off	(1,304)
Foreign exchange differences	(189)
At 30 June 2020 (unaudited)	**246**

Other liabilities comprise:

	30 June 2021 (unaudited)	***31 December 2020***
Financial liabilities		
Administrative settlements	2,108	1,992
Other accounts payable on bank transactions	930	664
Total financial liabilities	**3,038**	**2,656**
Non-financial liabilities		
Settlements with employees	9,150	8,182
Allowance for ECL on credit-related commitments	756	977
Other non-financial liabilities	78	1,406
Total non-financial liabilities	**9,984**	**10,565**
Other liabilities	**13,022**	**13,221**

The Bank applies IAS 19 *Employee Benefits* to account for its pension liabilities. As at 30 June 2021, the Bank has 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 30 June 2021, the Bank’s pension liabilities of EUR 5,467 thousand (31 December 2020: EUR 5,002 thousand) were included in non-financial liabilities (settlements with employees) in the consolidated statement of financial position. Pension expenses for the six months 2021 in the amount of EUR 689 thousand (six months 2020: EUR 660 thousand) were recorded in the consolidated 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 2021 and 30 June 2020.

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	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 at 30 June 2021 (unaudited)		**(506)**	**219**	**66**	**(221)**

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	1	–	–	**1**
Securities at fair value through other comprehensive income	9	111	–	–	**111**
Securities at amortized cost	10	87	–	–	**87**
Loans to banks	11	241	–	–	**241**
Loans to customers	12	1,244	503	–	**1,747**
Other financial assets	13	3	–	(27)	**(24)**
Non-financial liabilities (allowance for ECL on credit-related commitments)	13, 19	(148)	–	–	**(148)**
Total allowance for ECL at 30 June 2020 (unaudited)		**1,539**	**503**	**(27)**	**2,015**

Movements in allowances for ECL on financial instruments as at 30 June 2021 and 31 December 2020 were as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2021	**6,575**	**666**	**37,636**	**44,877**
New purchased or originated assets	2,065	1	56	**2,122**
Assets derecognized or redeemed (excluding write-offs)	(3,210)	(31)	–	**(3,241)**
Changes to inputs used for ECL assessment	638	249	11	**898**
Translation differences	115	–	67	**182**
At 30 June 2021 (unaudited)	**6,183**	**885**	**37,770**	**44,838**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2020	**4,861**	**832**	**51,042**	**56,735**
New purchased or originated assets	2,279	4	–	**2,283**
Assets derecognized or redeemed (excluding write-offs)	(5,510)	(42)	(27)	**(5,579)**
Transfers to Stage 2	(118)	118	–	**–**
Transfers to Stage 3	–	(967)	967	**–**
Effect on ECL at the year-end due to transfers between stages during the year	–	216	1,554	**1,770**
Changes to contractual cash flows due to modifications not resulting in derecognition	6	–	–	**6**
Changes in models and inputs used for ECL assessment	5,327	542	–	**5,869**
Amounts written off (against the allowance)	–	–	(15,371)	**(15,371)**
Translation differences	(270)	(37)	(529)	**(836)**
At 31 December 2020	**6,575**	**666**	**37,636**	**44,877**

(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:

	30 June 2021 (unaudited)	*31 December 2020*
Due to banks up to 1 year		
Term deposits of banks and other financial institutions	28,028	51,484
Total due to banks up to 1 year	**28,028**	**51,484**
Due to banks over 1 year		
Repurchase agreements	53,526	95,602
Total due to banks over 1 year	**53,526**	**95,602**
Due to banks and other financial institutions	**81,554**	**147,086**

The Group performs daily monitoring of the repurchase agreements and the value of collateral placing/returning additional collateral, if necessary.

Concentration of deposits from banks and other financial institutions

As at 30 June 2021, the Group has three counterparties (31 December 2020: three counterparties) each accounting for over 10% of the Group's total deposits from banks and other financial institutions in the total amount of EUR 81,554 thousand (31 December 2020: EUR 130,361 thousand).

The table below provides a summary of the financial assets transferred by the Group in such a way that all the transferred financial assets do not qualify for derecognition:

	30 June 2021 (unaudited)	
Transferred financial asset	***Corporate bonds***	***Total***
Carrying amount of assets	**59,080**	**59,080**
- Securities at fair value through other comprehensive income	17,051	**17,051**
- Loans to customers	42,029	**42,029**
Carrying amount of associated liabilities	**(53,526)**	**(53,526)**
- Due to banks	(53,526)	**(53,526)**
Net position	**5,554**	**5,554**

	31 December 2020	
Transferred financial asset	***Corporate bonds***	***Total***
Carrying amount of assets	**125,232**	**125,232**
- Securities at fair value through other comprehensive income	28,456	**28,456**
- Securities at amortized cost	49,405	**49,405**
- Loans to customers	47,371	**47,371**
Carrying amount of associated liabilities	**(95,602)**	**(95,602)**
- Due to banks	(95,602)	**(95,602)**
Net position	**29,630**	**29,630**

Securities sold under repurchase agreements are transferred to a third party and the Group receives cash in exchange. If the securities increase or decrease in value, the Group may, in certain circumstances, require, or be required, to pay additional collateral in the form of cash and/or other securities. The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk, market risk, country risk and operational risk, and therefore has not derecognized them. In addition, it recognizes a financial liability for cash received.

The related liabilities, which are recorded against the cash received for such transactions, are presented in amounts due to banks and other financial institutions in the consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

(Thousands of euros)

16. Long-term loans of banks

Long-term loans of banks comprise:

	30 June 2021 (unaudited)	*31 December 2020*
Loans of banks	61,456	60,004
SSD	17,048	17,003
Long-term loans of banks	**78,504**	**77,007**

On 19 March 2018, the Group 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 Group received the second tranche in the amount of USD 12.5 million (EUR 10,674 thousand). On 6 August 2019, the Group received the third tranche in the amount of USD 12.5 million (EUR 11,147 thousand). On 23 March 2020, the Group received the fourth and final tranche in the amount of USD 12.5 million (EUR 11,681 thousand).

On 14 April 2020 the Group received EUR 20.0 million according to the bilateral loan facility with ROSBANK (Societe Generale Group).

In 2017, the Group issued SSD debentures (Schuldscheindarlehen) in the Western European market in the total amount of EUR 23,000 thousand. On 6 April 2020 the Group repaid tranche in amount of EUR 6.0 million.

17. Debt securities issued

Debt securities issued comprise:

	Interest rate, % p.a.	*Maturity*	*30 June 2021 (unaudited)*	*31 December 2020*
RUB-denominated bonds	0.01-7.75	2023-2027	302,351	286,233
RON-denominated bonds	2.14-3.98	2021-2023	273,931	258,195
HUF-denominated bonds	1.25-2.25	2022-2024	202,240	171,170
EUR-denominated bonds	0.12-1.50	2021-2041	135,385	80,152
CZK-denominated bonds	1.26-1.50	2023-2024	122,284	80,766
Debt securities issued			**1,036,191**	**876,516**

On 26 March 2021, the Group 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 Group 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 Group 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 Group 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 Group 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.

On 19 May 2020, the Group had tapped the Russian and placed RUB denominated bonds series BO-001P-04 in the amount of RUB 7 billion (EUR 88,230 thousand) with 3 year maturity and fixed coupon rate at 6.75% p.a.

(Thousands of euros)

17. Debt securities issued (continued)

On 19 May 2020, the Group had executed second transaction under the MTN program in the amount of CZK 621 million (EUR 22,770 thousand) and three years maturity with coupon set at 3m Pribor + 90 bps. Both bonds were listed on the Euronext Dublin.

On 12 March 2020, the Group had repurchased its RUB-denominated bonds series 01 in the total amount of RUB 9,987,876 thousand (EUR 124,155 thousand) under regular Issuer's put option.

At the issue dates of the non-EUR-denominated bonds, the Group 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 Group (EUR, USD) to finance credit projects in the required currency. The Group 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 24 March 2021;
- In Hungarian forint (HUF) placed on 18 October 2019, 28 September 2020 and 18 March 2021;
- In Russian ruble (RUB) placed on 29 April 2020, 19 May 2020 and 11 September 2020;
- In Czech korunas (CZK) placed on 19 May 2020 and 26 April 2021.

The cash-flows of the fixed rate securities issued by the Group 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 Group primarily used the proceeds from issuance of debt instruments and placement of bonds to expand its loan portfolio and establish additional liquidity buffers as a measure to mitigate the effects of COVID-19 pandemics and related uncertainties on global financial markets.

18. Equity

Subscribed and paid-in capital

Bank's authorized capital amounts to EUR 2,000,000 thousand (31 December 2020: 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 2021, 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 745,790 thousand (31 December 2020: EUR 745,790 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 2020: EUR 875,500 thousand).

During the year 2020, the Bank's member countries made additional contributions to the Bank's equity in total amount EUR 39,098 thousand (the Government of Slovak Republic: EUR 2,955 thousand, the Government of Hungary: EUR 15,503 thousand and the Government of Russian Federation: EUR 20,640 thousand). The paid-in capital of the International Investment Bank totaled EUR 378,710 thousand (31 December 2020: EUR 378,710 thousand).

(intentionally blank)

(Thousands of euros)

18. Equity (continued)

Subscribed and paid-in capital (continued)

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

	Revaluation reserve for securities	*Cash flow hedge reserve*	*Revaluation reserve for property and equipment*
At 1 January 2020	**6,157**	**(809)**	**10,861**
Net change in the fair value of securities at FVOCI	2,922	–	–
Change in the allowance for ECL on securities at FVOCI	277	–	–
Reclassification of accumulated gains from disposal of debt securities at fair value through other comprehensive income to the consolidated income statement	(5,462)	–	–
Effective portion of changes in fair value arising from CCIRS	–	(1,521)	–
Net amount reclassified to net losses from operations with foreign currencies and derivatives	–	4,720	–
At 30 June 2020 (unaudited)	**3,894**	**2,390**	**10,861**
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 consolidated 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**

Revaluation reserve for securities

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

Revaluation reserve for property and equipment

Revaluation of buildings owned by the Bank at market value was performed as at 30 June 2021 based on the results of the valuation performed by an independent firm of professional appraisers who have acknowledged qualification and relevant professional experience in appraising real property of a similar category and in a similar location.

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.

(Thousands of euros)

19. Commitments and contingencies

Legal

In the ordinary course of business, the Group 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 Group. 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 Group 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 Group's further actions to collect bad debt and/or realize respective repossession rights is higher than the amount collected and also when the Group 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 Group 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 Group did not obtain insurance coverage related to temporarily discontinued operations or the Group'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.

Credit-related commitments

At any time the Group may have outstanding commitments to extend loans. These commitments take the form of approved loan agreements. As at 30 June 2021, credit-related commitments of the Group comprised credit-related commitments such as undrawn loan facilities, guarantees and reimbursement obligations, including under the Trade Financing Program.

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 Group 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 Group 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.

Credit-related commitments are presented in the table below as at 30 June 2021 and 31 December 2020:

	30 June 2021 (unaudited)	*31 December 2020*
Undrawn loan facilities	176,294	182,769
Guarantees issued	43,873	42,863
Reimbursement obligations	–	1,455
	220,167	**227,087**
Less: allowance for impairment of credit-related commitments	(756)	(977)
Credit-related commitments	**219,411**	**226,110**

(Thousands of euros)

19. Commitments and contingencies (continued)

Credit-related commitments (continued)

An analysis of changes in the ECL related to undrawn loan facilities for the six months ended 30 June 2021 and 30 June 2020 are as follows:

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**

Undrawn loan facilities	*Stage 1*	*Stage 2*	*Total*
Allowance for ECL at 1 January 2020	**62**	**67**	**129**
New purchased or originated credit-related commitments	12	–	**12**
Credit-related commitments derecognized or redeemed (excluding write-offs)	(46)	–	**(46)**
Changes to models and inputs used for ECL calculations	83	–	**83**
At 30 June 2020 (unaudited)	**111**	**67**	**178**

An analysis of changes in the ECL related to guarantees issued for the six months ended 30 June 2021 and 30 June 2020 are as follows:

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**

Guarantees issued	*Stage 1*	*Total*
Allowance for ECL at 1 January 2020	**588**	**588**
New purchased or originated credit-related commitments	146	**146**
Credit-related commitments derecognized or redeemed (excluding write-offs)	(269)	**(269)**
Translation differences	(16)	**(16)**
At 30 June 2020 (unaudited)	**449**	**449**

An analysis of changes in the ECL related to reimbursement obligations for the six months ended 30 June 2021 and 30 June 2020 are as follows:

Reimbursement obligations	*Stage 1*	*Total*
Allowance for ECL at 1 January 2021	**4**	**4**
New purchased or originated credit-related commitments	–	**–**
Credit-related commitments derecognized or redeemed (excluding write-offs)	(4)	**(4)**
At 30 June 2021 (unaudited)	**–**	**–**

(Thousands of euros)

19. Commitments and contingencies (continued)

Credit-related commitments (continued)

Reimbursement obligations	***Stage 1***	***Total***
Allowance for ECL at 1 January 2020	**154**	**154**
New purchased or originated credit-related commitments	39	**39**
Credit-related commitments derecognized or redeemed (excluding write-offs)	(137)	**(137)**
Changes to models and inputs used for ECL calculations	24	**24**
At 30 June 2020 (unaudited)	**80**	**80**

20. Leases

Group as lessor

The Group provides its investment property for operating leases. As at 30 June 2021, the Group's non-cancelable operating lease rentals amount to EUR 916 thousand and will be settled within 1 month – 1 year (31 December 2020: EUR 1,103 thousand and will be settled 1 month − 1 year).

21. Interest income and interest expenses

Net interest income comprises:

	Six months ended 30 June	
	2021 (unaudited)	***2020 (unaudited)***
Interest income		
Interest income calculated using the EIR method		
Loans to customers	20,499	15,106
Loans to banks	2,024	3,039
Securities at fair value through other comprehensive income	1,897	2,562
Securities at amortized cost	607	655
Deposits with banks and other financial institutions, including cash and cash equivalents	39	199
Other	6	4
Other interest income		
Cross-currency interest rate swaps covering long-term currency risks	10,028	9,214
Investments at fair value through profit or loss	298	–
Total interest income	**35,398**	**30,779**
Interest expenses		
Interest expenses calculated using the EIR method		
Debt securities issued	(18,632)	(15,265)
Long-term loans of banks	(936)	(638)
Due to banks and other financial institutions	9	61
Current customer accounts	(152)	(125)
Other	(320)	(493)
Other interest expenses		
Cross-currency interest rate swaps covering long-term currency risks	(4,030)	(5,409)
Total interest expenses	**(24,061)**	**(21,869)**
Net interest income	**11,337**	**8,910**

(Thousands of euros)

22. Net losses from operations with foreign currencies and derivatives

Net losses from operations with foreign currencies and derivatives comprise:

	Six months ended 30 June	
	2021 (unaudited)	***2020 (unaudited)***
Derivative financial instruments and operations with foreign currencies		
Net gains/(losses) from operations with foreign currencies and derivatives	5,390	(24,002)
Net losses from revaluation of derivative financial instruments	(18,497)	11,459
Total derivative financial instruments and operations with foreign currencies	**(13,107)**	**(12,543)**
Translation differences		
Net gains from revaluation of assets and liabilities in foreign currencies	10,121	11,334
Net losses from operations in foreign currencies and with derivatives	**(2,986)**	**(1,209)**

23. General and administrative expenses

General and administrative expenses comprise:

	Six months ended 30 June	
	2021 (unaudited)	***2020 (unaudited)***
Employee compensations and employment taxes	6,478	6,390
IT expenses, inventory and occupancy expenses	996	867
Depreciation and disposal of property, equipment and intangible assets	939	853
Expenses related to business travel, representative and accommodation expenses	188	148
Professional services	55	84
Other	102	209
General and administrative expenses	**8,758**	**8,551**

24. Risk management

Risk management framework

The Group'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 Group'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 Group does not enter into potential transactions with a high or undeterminable risk level, regardless of profitability.

The Group's risk management activities are intended to:

- Identify, analyze and manage risks faced by the Group;
- 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.

(Thousands of euros)

24. Risk management (continued)

Risk management system

Integrated into the whole vertical organizational structure of the Group and all areas of the Group'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 Group'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 Group.

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

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

Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparty fails to discharge its contractual financial obligations to the Group, 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 Group considers and consolidates all elements of potential credit risk exposures such as individual borrower or counterparty default risk.

The Group 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.

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

Internal assessment	*External ratings equivalent*	*Internal ratings equivalent*
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

(Thousands of euros)

24. Risk management (continued)

Credit risk (continued)

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 2021 (unaudited) and 31 December 2020:

30 June 2021 (unaudited)	*Amount*				*Allowance for impairment*			
Internal risk rating category	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Trade financing loans and long-term loans to banks								
Good	18,570	–	–	**18,570**	162	–	–	**162**
Fair	40,298	–	–	**40,298**	1,007	–	–	**1,007**
Special attention	22,482	18,096	–	**40,578**	439	524	–	**963**
Loans to customers at amortized cost								
Strong	232,783	–	–	**232,783**	111	–	–	**111**
Good	376,292	–	–	**376,292**	684	–	–	**684**
Fair	204,542	–	–	**204,542**	1,421	–	–	**1,421**
Special attention	65,055	–	26,060	**91,115**	1,147	–	2,606	**3,753**
Expected loss	–	294	–	**294**	–	294	–	**294**
Loans to customers at fair value through other comprehensive income								
Very strong	15,123	–	–	**15,123**	7	–	–	**7**
Strong	42,029	–	–	**42,029**	32	–	–	**32**
Good	7,099	–	–	**7,099**	16	–	–	**16**
Fair	34,817	–	–	**34,817**	303	–	–	**303**
	1,059,090	**18,390**	**26,060**	**1,103,540**	**5,329**	**818**	**2,606**	**8,753**

31 December 2020	*Amount*				*Allowance for impairment*			
Internal risk rating category	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Trade financing loans and long-term loans to banks								
Good	18,834	–	–	**18,834**	239	–	–	**239**
Fair	35,953	–	–	**35,953**	1,097	–	–	**1,097**
Special attention	21,898	17,641	–	**39,539**	281	306	–	**587**
Loans to customers at amortized cost								
Strong	209,694	–	–	**209,694**	123	–	–	**123**
Good	338,337	–	–	**338,337**	536	–	–	**536**
Fair	214,002	–	–	**214,002**	2,224	–	–	**2,224**
Special attention	65,311	–	24,564	**89,875**	774	–	2,456	**3,230**
Expected loss	–	293	–	**293**	–	293	–	**293**
Loans to customers at fair value through other comprehensive income								
Good	73,084	–	–	**73,084**	65	–	–	**65**
Fair	17,006	–	–	**17,006**	96	–	–	**96**
	994,119	**17,934**	**24,564**	**1,036,617**	**5,435**	**599**	**2,456**	**8,490**

Liquidity risk

Liquidity risk is the risk of loss resulting from the Group'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 Group'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 Group) and/or an unforeseen need of immediate and simultaneous discharge of its financial obligations.

(Thousands of euros)

24. Risk management (continued)

Liquidity risk (continued)

Liquidity management is an integral part of the general policy for the Group'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 Group's balance sheet items, and in accordance with the documents of planning.

Procedures for the Group's liquidity position management, ensuring the Group'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 Group's management.

The Group 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 Group determines the balance sheet gaps, payment schedule and need for financing of future operations based on the Plan of Cash Flows.

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

The liquidity buffer is formed primarily due to liquidity reserves, namely securities recognized in the Group'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 Group 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 2021, the liquidity buffer amounts to EUR 463.5 million (31 December 2020: EUR 216.3 million).

Credit-related commitments of the Group 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 2021 (unaudited)	***31 December 2020***
Less than 1 month	6,002	10,450
1 to 3 months	3,740	11,306
3 months to 1 year	98,366	69,217
1 to 5 years	67,697	92,617
Credit-related commitments	**175,805**	**183,590**

As at 30 June 2021, credit-related commitment in the amount of EUR 67,697 thousand (31 December 2020: EUR 92,617 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. 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 "Less than 1 month" category as they are highly liquid securities, shares and depositary receipts which the Group 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 Group.

	30 June 2021 (unaudited)							*31 December 2020*						
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*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	165,647	32	–	–	–	–	**165,679**	86,198	6	–	–	–	–	**86,204**
Deposits with banks and other financial institutions	–	–	112	29,146	–	–	**29,258**	–	–	358	29,076	–	–	**29,434**
Derivative financial assets	–	10	1,110	10,466	–	–	**11,586**	2,970	–	3,134	13,096	–	–	**19,200**
Investments at fair value through profit or loss	10,330	–	–	–	–	–	**10,330**	9,063	–	–	–	–	–	**9,063**
Securities at fair value through other comprehensive income	188,061	17,051	–	–	–	–	**205,112**	224,297	152	28,304	–	–	–	**252,753**
Securities at amortized cost	–	46	371	35,844	55,177	–	**91,438**	28	4,254	356	28,156	62,258	–	**95,052**
Loans to banks	5,099	6,290	23,967	61,958	–	–	**97,314**	3,199	3,953	17,842	67,409	-	–	**92,403**
Loans to customers	8,494	12,254	98,723	496,434	358,472	23,454	**997,831**	9,729	18,964	74,596	326,674	483,814	22,108	**935,885**
Other financial assets	319	754	394	3	–	–	**1,470**	164	366	530	–	–	–	**1,060**
Total financial assets	**377,950**	**36,437**	**124,677**	**633,851**	**413,649**	**23,454**	**1,610,018**	**335,648**	**27,695**	**125,120**	**464,411**	**546,072**	**22,108**	**1,521,054**
Financial liabilities														
Due to banks and other financial institutions	–	(25,000)	(56,554)	–	–	–	**(81,554)**	(15,000)	(25,685)	(105,361)	(1,040)	–	–	**(147,086)**
Derivative financial liabilities	(1,101)	–	(10,318)	(29,354)	–	–	**(40,773)**	(46)	–	(3,803)	(35,844)	–	–	**(39,693)**
Current customer accounts	(14,316)	–	–	–	–	–	**(14,316)**	(12,871)	–	–	–	–	–	**(12,871)**
Long-term loans of banks	–	–	(23,014)	(35,501)	(19,989)	–	**(78,504)**	–	(230)	(20,149)	(34,778)	(21,850)	–	**(77,007)**
Debt securities issued	(382)	(1,660)	(219,393)	(785,161)	(29,595)	–	**(1,036,191)**	(542)	(1,954)	(225,100)	(648,920)	–	–	**(876,516)**
Other financial liabilities	(241)	(4)	(2,142)	(647)	(4)	–	**(3,038)**	(83)	(1,855)	(430)	(185)	(103)	–	**(2,656)**
Total financial liabilities	**(16,040)**	**(26,664)**	**(311,421)**	**(850,663)**	**(49,588)**	–	**(1,254,376)**	**(28,542)**	**(29,724)**	**(354,843)**	**(720,767)**	**(21,953)**	**–**	**(1,155,829)**
Net position	**361,910**	**9,773**	**(186,744)**	**(216,812)**	**364,061**	**23,454**	**355,642**	**307,106**	**(2,029)**	**(229,723)**	**(256,356)**	**524,119**	**22,108**	**365,225**
Accumulated net position	**361,910**	**371,683**	**184,939**	**(31,873)**	**332,188**	**355,642**		**307,106**	**305,077**	**75,354**	**(181,002)**	**343,117**	**365,225**	

(Thousands of euros)

24. Risk management (continued)

Market risk

Market risk is the risk that the Group 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 Group 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 Group’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 Group 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 Group's exposure to currency risk as at 30 June 2021 and 31 December 2020 are presented below:

	30 June 2021 (unaudited)						
	EUR	*USD*	*RUB*	*HUF*	*RON*	*Other currencies*	*Total*
Non-derivative financial assets							
Cash and cash equivalents	151,541	9,392	2,719	1,071	849	107	**165,679**
Deposits with banks and other financial institutions	29,258	–	–	–	–	–	**29,258**
Investments at fair value through profit or loss	2,119	–	8,211	–	–	–	**10,330**
Securities at fair value through other comprehensive income	55,390	135,375	14,347	–	–	–	**205,112**
Securities at amortized cost	70,437	21,001	–	–	–	–	**91,438**
Long-term loans to banks	42,627	54,687	–	–	–	–	**97,314**
Loans to customers	621,571	132,805	134,661	58,771	50,023	–	**997,831**
Other financial assets	997	12	100	361	–	–	**1,470**
Total non-derivative financial assets	**973,940**	**353,272**	**160,038**	**60,203**	**50,872**	**107**	**1,598,432**
Non-derivative financial liabilities							
Due to banks and other financial institutions	(78,526)	(3,028)	–	–	–	–	**(81,554)**
Current customer accounts	(14,287)	(29)	–	–	–	–	**(14,316)**
Long-term loans of banks	(37,095)	(41,409)	–	–	–	–	**(78,504)**
Debt securities issued	(135,385)	–	(302,351)	(202,240)	(273,931)	(122,284)	**(1,036,191)**
Other financial liabilities	(1,346)	(372)	(319)	(850)	(103)	(48)	**(3,038)**
Total non-derivative financial liabilities	**(266,639)**	**(44,838)**	**(302,670)**	**(203,090)**	**(274,034)**	**(122,332)**	**(1,213,603)**
Net balance sheet position (excluding derivative financial instruments)	**707,301**	**308,434**	**(142,632)**	**(142,887)**	**(223,162)**	**(122,225)**	**384,829**
Derivative financial instruments							
Claims	363,105	8,424	262,686	201,168	247,370	121,911	**1,204,664**
Liabilities	(749,127)	(272,836)	(131,234)	(56,922)	(23,732)	–	**(1,233,851)**
Net balance sheet position, including derivative financial instruments	**321,279**	**44,022**	**(11,180)**	**1,359**	**476**	**(314)**	**355,642**

(Thousands of euros)

24. Risk management (continued)

Market risk (continued)

	31 December 2020						
	EUR	*USD*	*RUB*	*HUF*	*RON*	*Other currencies*	*Total*
Non-derivative financial assets							
Cash and cash equivalents	82,706	1,194	1,426	167	580	131	**86,204**
Deposits with banks and other financial institutions	29,434	–	–	–	–	–	**29,434**
Investments at fair value through profit or loss	1,379	–	7,684	–	–	–	**9,063**
Securities at fair value through other comprehensive income	127,799	113,795	11,159	–	–	–	**252,753**
Securities at amortized cost	70,593	24,459	–	–	–	–	**95,052**
Long-term loans to banks	44,151	48,252	–	–	–	–	**92,403**
Loans to customers	628,161	116,973	88,384	50,723	51,644	–	**935,885**
Other financial assets	874	6	47	133	–	–	**1,060**
Total non-derivative financial assets	**985,097**	**304,679**	**108,700**	**51,023**	**52,224**	**131**	**1,501,854**
Non-derivative financial liabilities							
Due to banks and other financial institutions	(136,642)	(9,759)	–	(685)	–	–	**(147,086)**
Current customer accounts	(12,842)	(29)	–	–	–	–	**(12,871)**
Long-term loans of banks	(37,017)	(39,990)	–	–	–	–	**(77,007)**
Debt securities issued	(80,152)	–	(286,233)	(171,170)	(258,195)	(80,766)	**(876,516)**
Other financial liabilities	(1,431)	(228)	(450)	(406)	(85)	(56)	**(2,656)**
Total non-derivative financial liabilities	**(268,084)**	**(50,006)**	**(286,683)**	**(172,261)**	**(258,280)**	**(80,822)**	**(1,116,136)**
Net balance sheet position (excluding derivative financial instruments)	**717,013**	**254,673**	**(177,983)**	**(121,238)**	**(206,056)**	**(80,691)**	**385,718**
Derivative financial instruments							
Claims	296,372	26,007	178,041	173,673	233,535	80,777	**988,405**
Liabilities	(689,680)	(244,933)	–	(50,362)	(23,923)	–	**(1,008,898)**
Net balance sheet position, including derivative financial instruments	**323,705**	**35,747**	**58**	**2,073**	**3,556**	**86**	**365,225**

(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 Group using available market information, where it exists, and appropriate valuation methodologies. However, professional judgment is 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 Group 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 Group 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 2021 and 31 December 2020:

	Level 1 30 June 2021 (unaudited)	*Level 2 30 June 2021 (unaudited)*	*Level 3 30 June 2021 (unaudited)*	*Total 30 June 2021 (unaudited)*
Assets measured at fair value				
Derivative financial assets	–	11,586	–	**11,586**
Corporate bonds at fair value through profit or loss	8,211	–	–	**8,211**
Investments at fair value through profit or loss	–	2,119	–	**2,119**
Government bonds at fair value through other comprehensive income	16,628	–	–	**16,628**
Corporate bonds at fair value through other comprehensive income	175,112	21,583	–	**196,695**
Loans to customers at fair value through other comprehensive income	99,067	–	–	**99,067**
Investment property	–	–	33,034	**33,034**
Property and equipment – buildings	–	–	62,059	**62,059**
Liabilities measured at fair value				
Derivative financial liabilities	–	40,773	–	**40,773**
Assets for which fair values are disclosed				
Cash and cash equivalents	145	165,534	–	**165,679**
Deposits with banks and other financial institutions	–	–	29,258	**29,258**
Securities at amortized cost	94,974	–	–	**94,974**
Loans to banks at amortized cost	–	–	96,917	**96,917**
Loans to customers at amortized cost	68,506	–	865,091	**933,597**
Liabilities for which fair values are disclosed				
Due to banks and other financial institutions	–	–	81,554	**81,554**
Current customer accounts	–	–	14,316	**14,316**
Long-term loans of banks	–	–	78,504	**78,504**
Debt securities issued	–	1,031,006	–	**1,031,006**

(Thousands of euros)

25. Fair value measurements (continued)

Fair value hierarchy (continued)

	Level 1 31 December 2020	*Level 2 31 December 2020*	*Level 3 31 December 2020*	*Total 31 December 2020*
Assets measured at fair value				
Derivative financial assets	–	19,200	–	**19,200**
Corporate bonds at fair value through profit or loss	7,684	–	–	**7,684**
Investments at fair value through profit or loss	–	1,379	–	**1,379**
Government bonds at fair value through other comprehensive income	83,755	–	–	**83,755**
Corporate bonds at fair value through other comprehensive income	155,520	21,162	–	**176,682**
Loans to customers at fair value through other comprehensive income	90,090	–	–	**90,090**
Investment property	–	–	33,004	**33,004**
Property and equipment – buildings	–	–	33,342	**33,342**
Liabilities measured at fair value				
Derivative financial liabilities	–	39,693	–	**39,693**
Assets for which fair values are disclosed				
Cash and cash equivalents	326	85,878	–	**86,204**
Deposits with banks and other financial institutions	–	–	29,434	**29,434**
Securities at amortized cost	99,751	–	–	**99,751**
Loans to banks at amortized cost	–	–	92,110	**92,110**
Loans to customers at amortized cost	64,060	–	803,331	**867,391**
Liabilities for which fair values are disclosed				
Due to banks and other financial institutions	–	–	147,086	**147,086**
Current customer accounts	–	–	12,871	**12,871**
Long-term loans of banks	–	–	77,007	**77,007**
Debt securities issued	–	891,806	–	**891,806**

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 Group’s financial instruments that are recorded in the interim condensed consolidated financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying amount 30 June 2021 (unaudited)	*Fair value 30 June 2021 (unaudited)*	*Unrecognized gain/(loss) 30 June 2021 (unaudited)*	*Carrying amount 31 December 2020*	*Fair value 31 December 2020*	*Unrecognized gain/(loss) 31 December 2020*
Financial assets						
Cash and cash equivalents	165,679	165,679	–	86,204	86,204	–
Deposits with banks and other financial institutions	29,258	29,258	–	29,434	29,434	–
Securities at amortized cost	91,438	94,974	3,536	95,052	99,751	4,699
Loans to banks at amortized cost	97,314	96,917	(397)	92,403	92,110	(293)
Loans to customers at amortized cost	898,764	933,597	34,833	845,795	867,391	21,596
Financial liabilities						
Due to banks and other financial institutions	81,554	81,554	–	147,086	147,086	–
Current customer accounts	14,316	14,316	–	12,871	12,871	–
Long-term loans of banks	78,504	78,504	–	77,007	77,007	–
Debt securities issued	1,036,191	1,031,006	5,185	876,516	891,806	(15,290)
Total unrecognized change in unrealized fair value			**43,157**			**10,712**

(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:

	At 1 January 2021	*Losses recorded in profit or loss / other comprehensive income*	*Additions/ (disposals)*	*Transfer from capital expenditures to buildings*	*At 30 June 2021 (unaudited)*
Assets					
Property and equipment – buildings	33,342	(383)	69	29,031	62,059
Investment property	33,004	–	30	–	33,034
Total	**66,346**	**(383)**	**99**	**29,031**	**95,093**

	At 1 January 2020	*Losses recorded in profit or loss / other comprehensive income*	*Additions/ (disposals)*	*Transfer to property and equipment*	*At 31 December 2020*
Assets					
Property and equipment – buildings	35,136	(2,953)	34	1,125	33,342
Investment property	40,218	(1,413)	(4,676)	(1,125)	33,004
Total	**75,354**	**(4,366)**	**(4,642)**	**–**	**66,346**

26. Segment information

For management purposes, the Group 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 consolidated financial statements. The following table presents income, profit, assets and liabilities of the Group's operating segments:

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	6	**25,072**
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	–	166	**472**
Total income	**26,541**	**15,608**	**1,259**	**43,408**
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)	(2)	**(175)**
Net losses from operations with foreign currencies and derivatives	–	(2,995)	9	**(2,986)**
Other segment expenses	(19)	(4)	(178)	**(201)**
Segment results	**13,605**	**1,292**	**1,088**	**15,985**
Other unallocated expenses				**(8,758)**
Profit for the year				**7,227**
Development portfolio	1,001,023	145,765	–	1,146,788
Other segment assets	94,303	367,699	103,076	565,078
Total segment assets	**1,095,326**	**513,464**	**103,076**	**1,711,866**
Total segment liabilities	**735,913**	**516,860**	**11,587**	**1,264,360**
Other segment information				
Capital expenditures	–	–	27,094	**27,094**

The Group'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 2020 (unaudited)	*Credit investment activity*	*Treasury*	*Other operations*	*Total*
Income				
External customers				
Interest income calculated using the EIR method	18,145	3,412	8	**21,565**
Other interest income	–	9,214	–	**9,214**
Fee and commission income	1,195	–	–	**1,195**
Net gains from operations with securities at fair value through other comprehensive income	–	5,462	–	**5,462**
Gains from sale of investment property	–	–	647	**647**
Income from lease of investment property	–	–	1,181	**1,181**
Other segment (expense)/income	(309)	–	44	**(265)**
Total income	**19,031**	**18,088**	**1,880**	**38,999**
Interest expenses calculated using the EIR method	(10,132)	(6,328)	–	**(16,460)**
Other interest expenses	–	(5,409)	–	**(5,409)**
Net allowance for credit losses on financial instruments	(1,840)	(199)	24	**(2,015)**
Fee and commission expense	(27)	(126)	(1)	**(154)**
Net (losses)/profit from operations with foreign currencies and derivatives	–	(1,188)	(21)	**(1,209)**
Other segment expenses	(9)	–	(223)	**(232)**
Segment results	**7,023**	**4,838**	**1,659**	**13,520**
Other unallocated expenses				**(8,551)**
Profit for the year				**4,969**
Development portfolio	951,429	162,886	–	**1,114,315**
Other segment assets	–	439,234	107,382	**546,616**
Total segment assets	**951,429**	**602,120**	**107,382**	**1,660,931**
Total segment liabilities	**638,010**	**563,723**	**9,103**	**1,210,836**
Other segment information				
Capital expenditures	–	–	26,923	**26,923**

During the six months of 2021, the Group's revenue from lease operations with three external counterparties (30 June 2020: two external counterparties) exceeded 20% of the Group's total revenue (six months 2021: EUR 764 thousand; six months 2020: EUR 590 thousand).

Geographical information

Allocation of the Group's revenue from transactions with external customers and non-current assets based on the location of these customers and assets for the six months ended 30 June 2021 and 30 June 2020 are presented in the table below:

	30 June 2021 (unaudited)			
	Russia	*Other member countries*	*Other countries*	*Total*
Interest income calculated using the EIR method	6,038	12,588	6,446	**25,072**
Other interest income	316	1,301	8,709	**10,326**
Income from lease of investment property	1,009	78	–	**1,087**

	30 June 2020 (unaudited)			
	Russia	*Other member countries*	*Other countries*	*Total*
Interest income calculated using the EIR method	3,712	11,793	6,060	**21,565**
Other interest income	1,418	1,247	6,549	**9,214**
Income from lease of investment property	1,143	38	–	**1,181**

(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 Group's counterparties. The geographical concentration of the Group's financial assets and liabilities as at 30 June 2021 and 31 December 2020 are presented below:

	30 June 2021 (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	2,808	673	849	–	2,184	–	–	17	–	159,148	**165,679**
Deposits with banks and other financial institutions	466	112	–	–	–	–	–	–	–	28,680	**29,258**
Derivative financial assets	–	–	–	–	23	–	–	–	–	11,563	**11,586**
Investments at fair value through profit or loss	8,211	–	–	–	–	–	–	–	–	2,119	**10,330**
Securities at fair value through other comprehensive income	–	–	10,002	–	–	–	–	–	–	195,110	**205,112**
Securities at amortized cost	20,500	–	–	–	–	–	–	10,030	–	60,908	**91,438**
Long-term loans to banks	–	–	–	–	–	20,805	34,845	–	39,616	2,048	**97,314**
Loans to customers	166,358	88,444	133,712	104,868	120,877	58,102	35,638	–	–	289,832	**997,831**
Other financial assets	71	–	190	–	1,042	22	–	–	–	145	**1,470**
Financial assets	**198,414**	**89,229**	**144,753**	**104,868**	**124,126**	**78,929**	**70,483**	**10,047**	**39,616**	**749,553**	**1,610,018**
Financial liabilities											
Due to banks and other financial institutions	–	(43,866)	–	–	–	–	–	–	–	(37,688)	**(81,554)**
Derivative financial liabilities	(1,974)	–	(155)	–	–	–	–	–	–	(38,644)	**(40,773)**
Long-term loans of banks	(20,047)	–	-	–	–	–	–	–	–	(58,457)	**(78,504)**
Debt securities issued	(302,351)	–	(354,741)	–	(256,815)	–	–	(122,284)	–	–	**(1,036,191)**
Other financial liabilities	(449)	–	–	–	(2,099)	–	–	–	–	(490)	**(3,038)**
Financial liabilities	**(324,821)**	**(43,866)**	**(354,896)**	**–**	**(258,914)**	**–**	**–**	**(122,284)**	**–**	**(135,279)**	**(1,240,060)**

(Thousands of euros)

26. Segment information (continued)

Geographical information (continued)

	31 December 2020										
	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	1,383	341	580	–	583	–	–	59	–	83,258	**86,204**
Deposits with banks and other financial institutions	116	–	–	–	–	–	–	–	–	29,318	**29,434**
Derivative financial assets	2,990	–	–	–	–	–	–	–	–	16,210	**19,200**
Investments at fair value through profit or loss	7,684	–	–	–	–	–	–	–	–	1,379	**9,063**
Securities at fair value through other comprehensive income	–	13,795	44,105	–	33,502	–	–	976	–	160,375	**252,753**
Securities at amortized cost	20,753	–	–	–	–	–	–	9,986	–	64,313	**95,052**
Long-term loans to banks	–	–	–	–	–	15,446	34,327	–	38,953	3,677	**92,403**
Loans to customers	125,944	109,807	132,638	107,527	112,035	57,479	37,416	–	–	253,039	**935,885**
Other financial assets	37	14	12	16	809	7	–	–	–	165	**1,060**
Financial assets	**158,907**	**123,957**	**177,335**	**107,543**	**146,929**	**72,932**	**71,743**	**11,021**	**38,953**	**611,734**	**1,521,054**
Financial liabilities											
Due to banks and other financial institutions	–	(39,759)	(20,205)	–	(685)	–	–	(10,000)	–	(76,437)	**(147,086)**
Derivative financial liabilities	–	–	(21)	–	–	–	–	–	–	(39,672)	**(39,693)**
Long-term loans of banks	(20,015)	–	–	–	–	–	–	–	–	(56,992)	**(77,007)**
Debt securities issued	(286,233)	–	(338,347)	–	(171,170)	–	–	(80,766)	–	–	**(876,516)**
Other financial liabilities	(213)	–	–	–	(2,128)	–	–	–	–	(315)	**(2,656)**
Financial liabilities	**(306,461)**	**(39,759)**	**(358,573)**	**–**	**(173,983)**	**–**	**–**	**(90,766)**	**–**	**(173,416)**	**(1,142,958)**

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 2021 and 31 December 2020, and related expenses and income for the six months ended 30 June 2021 and 30 June 2020 are as follows:

		30 June 2021 (unaudited)	*31 December 2020*
	Related party	***Carrying amount***	***Carrying amount***
Consolidated statement of financial position			
Current customer accounts	Key management personnel	2,326	2,081
Other liabilities	Key management personnel	1,492	1,360

		Six months ended 30 June	
		2021 (unaudited)	***2020 (unaudited)***
	Related party	***Expense***	***Expense***
Consolidated income statement			
Interest expenses on current customer accounts	Key management personnel	(26)	(20)
Net interest expense after allowance for loan impairment		**(26)**	**(20)**
Expenses from operating activities		**(26)**	**(20)**
Employee benefits	Key management personnel	(787)	(705)
Compensation for travel expenses and medical insurance	Key management personnel	(41)	(57)
Operating expenses		**(828)**	**(762)**
Net loss for the period		**(854)**	**(782)**

In the ordinary course of business, the Group mainly carries out transactions with entities from the Bank member countries. In the ordinary course of business, the Group 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 2021 (unaudited)	***31 December 2020***
Consolidated of financial position		
Investments at fair value through profit or loss	8,211	7,684
Securities at fair value through other comprehensive income	–	47,897
Securities at amortized cost	30,530	30,739
Loans to banks	39,616	39,259
Loans to customers	273,316	299,140
Other assets	15	30
Commitment and contingencies		
Undrawn loan facilities	130,694	134,379

(Thousands of euros)

27. Related party disclosures (continued)

	30 June 2021 (unaudited)	*30 June 2020 (unaudited)*
Consolidated income statement		
Interest income calculated using the EIR method	8,152	5,934
Fee and commission income	510	584
Net gains from operations with investments at fair value through profit or loss	148	–
Net gains from operations with securities at fair value through other comprehensive income	4,018	3,331
Other income/(expenses)	292	(3)

28. Capital adequacy

The capital adequacy ratio is the most important financial indicator characterizing credibility of credit institutions and is estimated as the ratio of the capital base to risk-weighted assets expressed as a percentage. Approval of the capital adequacy ratio is the exclusive competency of the IIB's Board of Governors.

The Basel Committee on Banking Supervision recommends maintaining the ratio of capital to risk-weighted assets ("capital adequacy ratio") above the prescribed minimum level. As at 30 June 2021, this minimum level was 8% (31 December 2020: 8%).

Besides, taking into account the Bank's status as a multilateral development institution and the structure of the Bank's member countries, the IIB's Board of Governors set the capital adequacy ratio at the level of not less than 25% as at 30 June 2021 (unaudited) (31 December 2020: 25%).

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 2021 and 31 December 2020.

	30 June 2021 (unaudited)	*31 December 2020*
Capital		
Tier 1 capital	443,116	436,627
Tier 2 capital	2,072	16,407
Total regulatory capital	**445,188**	**453,034**
Risk-weighted assets		
Credit risk	1,151,690	1,079,122
Market risk	198,297	219,388
Operational risk	52,328	47,112
Total risk-weighted assets	**1,402,315**	**1,345,622**
Total capital expressed as a percentage of risk-weighted assets, % ("capital adequacy ratio")	31.75%	33.67%
Total tier 1 capital expressed as a percentage of risk-weighted assets, % ("tier 1 capital adequacy ratio")	31.60%	32.45%

(End).