BD2016-092

DOCUMENT OF THE
BLACK SEA TRADE AND DEVELOPMENT BANK

Financial Statements for the Six Months Period Ended 30 June 2016

Together with Auditor's Report

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS AND GOVERNORS OF THE BLACK SEA TRADE AND DEVELOPMENT BANK

Report on the Financial Statements

We have audited the accompanying financial statements of the Black Sea Trade and Development Bank (the "Bank") which comprise the statement of financial position as of 30 June 2016, the statements of income and comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Black Sea Trade and Development Bank as of 30 June 2016 and of its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards.

KPMG Certified Auditors AE
Athens, Greece
23 September 2016

INCOME STATEMENT

For the six months period ended 30 June 2016

Presented in thousands of EUR	Note	Six months to 30 June 2016	Six months to 30 June 2015
Interest income	7	29,526	23,828
Interest expense	8	(14,841)	(7,020)
Net interest income		**14,685**	**16,808**
Net fees and commissions	9	665	497
Dividend income	15	-	2,589
Net (losses) from debt investment securities		(1)	-
Foreign exchange (losses)		(834)	(111)
Other income		20	8
Operating income		**14,535**	**19,791**
Personnel expenses	10,25	(7,244)	(6,936)
Other administrative expenses	10	(2,035)	(2,136)
Depreciation and amortization	17,18	(292)	(332)
Income before impairment		**4,964**	**10,387**
Impairment (losses) on loans	11	(5,787)	(2,400)
Impairment (losses) on guarantees		(27)	(9)
Net (loss) income for the period		**(850)**	**7,978**

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months period ended 30 June 2016

Presented in thousands of EUR	Note	Six months to 30 June 2016	Six months to 30 June 2015
Net (loss) income for the period		(850)	7,978
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Net change in available-for-sale financial assets	23	(4,300)	(23,612)
Total comprehensive (loss) income for the period		**(5,150)**	**(15,634)**

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

STATEMENT OF FINANCIAL POSITION

At 30 June 2016

Presented in thousands of EUR	Note	At 30 June 2016	At 31 December 2015
Assets			
Cash and cash equivalents	24	90,822	49,745
Debt investment securities:			
Available-for-sale	12,24	545,879	139,299
Derivative financial instruments – assets	13	-	3,485
Loans	14,16	1,088,704	1,049,732
Less: deferred income	14	(9,828)	(7,664)
Less: impairment losses	11,14	(29,160)	(26,556)
Loans net of impairment		1,049,716	1,015,512
Equity investments available-for-sale	15,16	59,172	63,800
Property and equipment	17	598	621
Intangible assets	18	444	483
Other assets	19	26,386	16,366
Total Assets		**1,773,017**	**1,289,311**
Liabilities			
Borrowings	20	1,011,668	540,948
Derivative financial instruments – liabilities	13	17,042	20,427
Payables and accrued interest	21	16,336	6,389
Total liabilities		1,045,046	567,764
Members' Equity			
Authorized share capital	22	3,450,000	3,450,000
Less: unallocated share capital	22	(1,161,500)	(1,161,500)
Subscribed share capital	22	2,288,500	2,288,500
Less: callable share capital	22	(1,601,950)	(1,601,950)
Less: payable share capital	22	(98,563)	(110,137)
Paid-in share capital		587,987	576,413
Reserves	23	49,150	53,450
Retained earnings		90,834	91,684
Total members' equity		727,971	721,547
Total Liabilities and Members' Equity		**1,773,017**	**1,289,311**
Off-balance-sheet items			
Commitments	16	188,359	205,466

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

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the six months period ended 30 June 2016

Presented in thousands EUR	Share capital					
	Subscribed	Callable	Payable	Reserves	Retained earnings	Total
At 31 December 2014	**2,288,500**	**(1,601,950)**	**(143,702)**	**71,389**	**80,874**	**695,111**
Total comprehensive income						
Net income for the year	-	-	-	-	15,214	15,214
Other comprehensive income:						
Fair value reserve (available-for-sale financial assets)	-	-	-	(24,703)	-	(24,703)
Remeasurement of defined benefit liability (asset)	-	-	-	2,360	-	2,360
Total comprehensive income	-	-	-	(22,343)	15,214	(7,129)
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	33,565	-	-	33,565
Transfer to general reserve	-	-	-	4,404	(4,404)	-
Total contributions and distributions	-	-	33,565	4,404	(4,404)	33,565
At 31 December 2015	**2,288,500**	**(1,601,950)**	**(110,137)**	**53,450**	**91,684**	**721,547**
Total comprehensive income						
Net (loss) for the period	-	-	-	-	(850)	(850)
Other comprehensive income:						
Fair value reserve (available-for-sale financial assets)	-	-	-	(4,300)	-	(4,300)
Total comprehensive income	-	-	-	(4,300)	(850)	(5,150)
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	11,574	-	-	11,574
Total contributions and distributions	-	-	11,574	-	-	11,574
At 30 June 2016	**2,288,500**	**(1,601,950)**	**(98,563)**	**49,150**	**90,834**	**727,971**

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

STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2016

Presented in thousands of EUR	Note	Six months to 30 June 2016	Six months to 30 June 2015
Cash flows from operating activities			
Net (loss) income for the period		(850)	7,978
Adjustment for:			
Impairment losses (gains)		5,814	2,409
Depreciation and amortization		292	332
Net interest income		(14,685)	(16,808)
Dividends on available-for-sale securities		-	(2,589)
Foreign exchange adjustment on provisions		(407)	3,418
Operating income before changes in operating assets		(9,836)	(5,260)
Changes in:			
Derivative financial instruments		100	(6,479)
Other assets		(1,202)	(984)
Accounts payable		(554)	274
Deferred income		2,164	(374)
Fair value movements		(4,300)	(23,612)
Cash generated from operations		(13,628)	(36,435)
Proceeds from repayment of loans		164,791	78,585
Proceeds from repayment of equity investments		70	379
Funds advanced for loans		(219,447)	(110,603)
Funds advanced for equity investments		(1,263)	(1,416)
Foreign exchange and other adjustments		21,505	24,922
Interest income received		20,708	19,300
Dividends received		-	2,589
Interest expense paid		(4,367)	(4,219)
Net cash from / (used in) operating activities		(31,631)	(26,898)
Cash flows from investing activities			
Proceeds from available-for-sale investment securities		406,580	8
Purchase of available-for-sale investment securities		(683,113)	(72,789)
Purchase of property, software and equipment		(230)	(171)
Net cash from / (used in) investing activities		(276,763)	(72,952)
Cash flows from financing activities			
Proceeds received from share capital		11,574	11,527
Paid-in share capital received		11,574	11,527
Proceeds from borrowings		521,950	150,825
Repayments of borrowings		(51,230)	(39,895)
Net cash from / (used in) financing activities		482,294	122,457
Net (decrease) in cash and cash equivalents		**173,900**	**22,607**
Cash and cash equivalents at beginning of year		189,044	128,955
Cash and cash equivalents at end of period	24	**362,944**	**151,562**

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

NOTES TO THE FINANCIAL STATEMENTS

1. ESTABLISHMENT OF THE BANK

Agreement Establishing the Bank

The Black Sea Trade and Development Bank ("Bank"), whose headquarters is located at 1 Komninon Street, Thessaloniki, in the Hellenic Republic, was established as an international financial organization under the Agreement Establishing the Bank dated 30 June 1994 ("Establishing Agreement"). In accordance with Article 61 of the Establishing Agreement, following establishment of the Bank the Establishing Agreement entered into force on 24 January 1997. The Bank commenced operations on 1 June 1999.

The purpose of the Bank is to accelerate development and promote cooperation among its shareholder countries. As a regional development institution it is well placed to mobilize financial resources and to improve access to financing for businesses in the whole region as well as for those active only in its individual Member Countries. The Bank offers project and trade financing facilities, equity participations and guarantees. Bank financing of projects and programs is available directly or in cooperation with other national and international development institutions. The Bank may also, where appropriate, provide technical assistance to potential clients.

As at financial position date the Bank's shareholders comprised 11 countries: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russian Federation, Turkey and Ukraine.

Headquarters Agreement

The status, privileges and immunities of the Bank and persons connected therewith in the Hellenic Republic are defined in the Headquarters Agreement between the Government of the Hellenic Republic and the Bank ("Headquarters Agreement") signed on 22 October 1998.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The financial statements for the six months period ended 2016 were submitted by the Management Committee to the Board of Directors ("BoD") for approval on 23 September 2016, and were approved on that date.

Basis of Measurement

The financial statements have been prepared on a historical cost basis except for the available for sale financial assets and derivative contracts which are measured at fair value.

Functional and Presentation Currency

The Bank's functional currency is the Euro ("EUR") as defined by the European Central Bank ("ECB"). The Euro is most representative of the Bank's operations and environment as a significant percentage of the Bank's lending operations are in Euro, and the administrative expenses and capital expenditures are primarily denominated and settled in this currency. The Bank's presentation currency is the EUR.

Judgments and Assumptions

The preparation of the financial statements in conformity with IFRS requires Management to make judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimations uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

A summary of the Bank's accounting policies applied in the preparation of these financial statements are presented in this section. These policies have been consistently applied to all periods presented in the financial statements, unless otherwise indicated.

Foreign Currencies

Foreign currency transactions are initially recorded in EUR by applying to the foreign currency amount the exchange rate between the EUR and the foreign currency at the rate prevailing on the date of transaction. Exchange gains and losses arising from the translation of monetary assets and liabilities denominated in foreign currencies at the end of year are recorded in the income statement.

The Bank uses the official exchange rates published for the EUR by the ECB. The exchange rates used by the Bank at the financial position date were as follows.

			30 June 2016	31 December 2015	30 June 2015
1 EUR	=	United States dollar	1.11020	1.08870	1.11890
	=	Pound sterling	0.82650	0.73395	0.71140
	=	Azerbaijan manat	1.72137	1.70066	1.17485
	=	Georgian lari	2.58880	2.60650	-

Recognition and Derecognition of Financial Instruments

The Bank recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

The Bank derecognizes a financial asset or a portion of financial asset when it loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. The Bank derecognizes a financial liability when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires. The evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for derecognition transactions.

Notes to the Financial Statements

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, placements with other financial institutions and debt securities with original maturities of three months or less. These are highly liquid assets that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value due to the movements in market rates.

Financial Assets

The Bank classifies financial assets in the following categories; loans and receivables, held-to-maturity investments and available-for-sale financial assets. Their classification is determined at the time of initial recognition.

Held-to-maturity investments and available-for-sale financial assets are recognized on a trade date basis, which is the date the Bank commits to purchase or sell the asset. All loans are recognized when cash is advanced to borrowers at settlement date.

The Bank did not reclassify any non-derivative financial assets out of the fair value through profit or loss category in any particular circumstance nor did the Bank transfer any financial assets from the available-for-sale category to the loans and receivables category.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. Subsequently, loans are measured at amortized cost using the effective interest rate method less any provision for impairment or uncollectability. All other fees and relating income generated are reported in the income statement (see note 9).

b) Held-to-maturity

Financial assets with fixed or determinable payments, and fixed maturity dates are classified as held-to-maturity when the Bank has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is computed as the amount initially recognized including the premium or discount that may arise on the date of acquisition, as well as transaction costs. Interest arising from these investments is reported in income.

c) Available-for-sale

Financial assets such as equity investments, Euro Commercial Paper (“ECP”) or bonds are classified as available-for-sale and are intended to be held for an indefinite period of time, and may or may not be sold in the future. After initial recognition at cost, these financial assets are measured at fair value. The fair value of the available for sale securities that are traded in organized financial markets is determined by reference to quoted market bid prices. For those assets where there is no active market the fair value is determined using accepted valuation techniques. These valuation techniques used are net asset value and earnings-based valuations using comparable information and discounting cash flows.

The unrealized gains and losses that arise from fluctuations in fair value are recognized as a separate component of equity until the financial asset is sold or derecognized for any other reason or until the investment is determined to be impaired, at which time, the cumulative gain or loss previously reported in equity is included in income. Foreign exchange gains or losses and any income accrued, by using the effective interest rate method, for these assets are recognized directly in income. Dividends received are included in income.

Financial Liabilities

Financial liabilities include borrowings and other liabilities.

a) Borrowings

Borrowing transactions are recognized in the statement of financial position at the time the funds are transferred to the Bank. They are measured initially at cost, which comprises the fair value of the funds transferred, less any transaction costs. In instances where the Bank uses derivative instruments to hedge the fair value of borrowing transactions, such borrowings are subsequently carried in the statement of financial position at fair value where the amortized cost value is adjusted to fair value by the hedged risks, with any changes in value recognized in income. Relevant interest expenses are reported in the income statement using the effective interest rate method.

b) Other liabilities

Other liabilities that are not derivatives or designated at fair value through profit or loss are recorded at amortized cost. The amounts include accrued finance charges on borrowings and other accounts payable.

Offsetting of Financial Assets and Liabilities

Offsetting of assets and liabilities in the financial statements is permitted if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derivatives

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

Derivatives can include interest rate and cross currency swaps, forward foreign exchange contracts, interest rate future contracts, and options on interest rates and foreign currencies. Such financial instruments are initially recognized in the statement of financial position at cost and are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value of derivatives are included in the income statement. Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate.

a) Hedge accounting

In order to manage particular risks, the Bank applies hedge accounting for derivative transactions which meet specified criteria relative to debt securities issued by the Bank. A valid hedge relationship exists when a specific relationship can be identified between two or more financial instruments in which the change in value of one instrument (the hedging instrument) is highly negatively correlated to the change in value of the other (the hedged item). The Bank only applies hedge accounting treatment to individually identified hedge relationships on a one-to-one basis.

The Bank documents the relationship between hedging instruments and hedged items upon initial recognition of the transaction.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. Any fair value adjustment is recognized immediately in the income statement. At the financial position date the Bank did not have any cash flow hedge.

i) Fair value hedge

Changes in the fair value of the derivatives that are designated and qualify as fair value hedges, and that prove to be highly effective in relation to hedged risk, are included in the income statement as fair value hedges under “net gains or losses at fair value on hedging activities”, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Impairment

An impairment loss for the Bank is the amount by which an asset’s recorded carrying amount exceeds its expected recoverable amount.

a) Financial assets carried at amortized cost

For amounts due from loan and receivable portfolios, losses under guarantees, commitments, held-to-maturity and other investments carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for those that are individually significant, or collectively for those that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest,
- Cash flow difficulties experienced by the borrower,
- Breach of loan covenants or conditions,
- Initiation of bankruptcy proceedings,
- Deterioration in the borrower’s competitive position, or
- Deterioration in the value of collateral.

If there is objective evidence that an impairment loss has been incurred, that the Bank will not be able to collect all amounts due (principal and interest) according to original contractual terms, such assets are considered as impaired. The amount of the loss is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of such an asset is reduced to its estimated recoverable amount through the use of an allowance for impairment account and the amount of loss is recognized in income. Interest income continues to be accrued based on the original effective interest rate of the asset. The Bank ceases to accrue interest on those assets classified internally as non-performing for more than 90 days, or earlier when there is reasonable doubt as to actual collection, and for which the recoverable amount is determined primarily in reference to fair value of collateral.

An asset together with the associated allowance is written off when all or part of it is deemed uncollectible by liquidation, or all legal and other avenues for recover or settlement are exhausted, or in the case of debt forgiveness. Write-offs are charged against previously established allowances and reduce the principal amount of an asset. Whenever an amount of the estimated impairment loss increases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased by adjusting the allowance account. Recoveries of such assets written off in earlier periods are included in the income statement.

The present value of the estimated future cash flows is discounted at the asset’s original effective interest rate as determined under the contract. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, assets are grouped on the basis of the Bank's internal credit rating methodology that considers credit risk characteristics such as asset type, industry and geographical location. The Bank's analysis is currently based on the Global Emerging Markets ("GEMs") data base. The GEMs risk database standardizes the data collection process of member International Financial Institutions. The standardization process used by the Bank was also reviewed independently by Moody's Analytics. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Impairment losses for guarantees are recognized while a guarantee is in effect and the amounts are determined based on the level of utilization of the guarantee. The methodology is consistent to that of loans, and such losses are included in "Other liabilities".

If the amount of impairment subsequently decreases due to an event occurring after a write-down, the release of the provision is credited to the provision for asset losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

b) Available-for-sale financial assets

At each financial position date the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

b1) Equity investments

For equity investments carried at fair value, a significant or prolong decline in the fair value below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative impairment loss, which is measured as the difference between the acquisition cost and the current fair value, net of any impairment loss previously recognized in net income, is removed from reserves and included in income. Impairment losses once recognized and included in income on these equity investments carried at cost, are not reversed.

b2) Debt securities

For debt securities the Bank assesses at each financial position date whether there is objective evidence of impairment. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Downgrading of the issuer below minimum eligibility levels for Treasury exposures,
- Issuer failure to pay amounts contracted under the security,
- Covenant breaches, default events and trigger level failures,
- Deterioration of credit enhancement including diminution of collateral value, and
- Legal proceedings such as bankruptcy, regulatory action or similar.

If any such evidence exists, the cumulative impairment loss measured as the difference between the acquisition cost and the current fair value is removed from reserves and included in income. If in a subsequent period the impairment indications of such securities cease to exist, related to an event after the impairment loss was recognized, that loss is reversed through income.

c) Non financial assets

At each financial position date the Bank reviews the carrying value of the non financial assets and assesses whether there is any indication of impairment. If such indications exist an analysis is performed to assess whether the book value of the specific assets can be recovered. The recoverable amount is the higher amount between the net value of sale (value of sale reduced by sale expenses) and of the value in use (as calculated from the net cash flows). If the carrying value of an intangible asset exceeds its recoverable value, then an impairment loss is recorded in income.

d) Renegotiated loans

When necessary, the Bank seeks to restructure loans that may involve extending the payment arrangements and the agreement of new loan conditions. These loans are generally renegotiated in response to an adverse change in the financial conditions of the borrower. Depending upon the degree to which the original loan is amended, this loan may continue to be recognized or will be derecognized and replaced with a new loan. Once the terms have been renegotiated, the loan is no longer considered past due, but the impairment will remain for at least another two quarters to review the performance of the loan.

Renegotiated loans are continuously monitored to ensure that all criteria are met and that future payments are likely to occur.

Financial Guarantees

Issued financial guarantees are initially recognized at their fair value, being the premium (fee) received and subsequently measured at the higher of the unamortized balance of the related fees received and deferred, and the expenditure required to settle the commitment at the financial position date. The latter is recognized when it is both probable that the guarantee will require to be settled and that the settlement amount can be reliably estimated. Financial guarantees are recognized within other financial assets and other financial liabilities.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided so as to write off the cost of each asset to their residual values on a straight-line basis over their estimated useful lives. The annual depreciation rates applied were as follows:

-	Expenditure on leasehold buildings and improvements are depreciated over the remaining term of the lease	-
-	Transportation vehicles	20.0%
-	Furniture and office accessories	20.0%
-	Personal computers	33.3%
-	Office and telecommunication equipment	20.0%

Intangible Assets

Intangible assets comprise software expenditures and other intangible assets. These assets are amortized on a straight-line basis over the best estimate of their useful lives, which is normally five years. Their carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Taxation

In accordance with Article 52 of the Establishing Agreement, the Bank, its assets, property, income and its operations and transactions are exempt from all taxation and all customs duties in all Member Countries. The Bank is also exempt from any obligation for payment, withholding or collection of any tax or duty. Also no tax shall be levied on salaries or emoluments paid by the Bank to employees. These tax exemptions are also included and elaborated upon in Article 12 of the Headquarters Agreement with the Hellenic Government, ratified by Greek Law 2380/No.38/7.3.1996.

Notes to the Financial Statements

Provisions

The Bank raise non-risk management provisions for potential obligations and risks when the following circumstances exist (a) there is an existing legal or constructive obligation as a result of past events (b) for the obligation to be settled an outflow of resources embodying economic benefits is possible and (c) a reliable estimate of the amount of the obligation can be made.

Share Capital and Dividends

In accordance with Article 36 of the Establishing Agreement, the Board of Governors shall determine annually what part of net income or surplus of the Bank from operations shall be allocated to reserves, provided that no part of the net income or surplus of the Bank shall be distributed to members by way of profit until the general reserves of the Bank shall have attained the level of ten (10%) per cent of the subscribed capital including all paid, unpaid but payable, and unpaid but callable share capital.

Reserves and Retained Earnings

In accordance with the Establishing Agreement of the Bank the general reserve is created from the profits of the Bank for meeting any unforeseeable risks or contingencies.

The revaluation reserve represents the accumulated change in fair value of available-for-sale investments of the Bank, which have not been impaired.

The retained earnings of the Bank is the accumulated undistributed and unallocated net income over the years.

Revenues and Expenses

Interest income and expense are recorded in income for all interest bearing instruments on an accrual basis using the effective interest rate method based on actual contractual terms, with the exception being those assets that are individually identified as impaired for which interest is recognized through unwinding the discount arising from the present value calculations applied to the expected future cash flows. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (inflows and outflows) through the expected life of the financial instrument, or when appropriate, a shorter period to the carrying amount of a financial asset or financial liability.

In accordance with IAS 18, front-end fees and where applicable commitment fees pertaining to loans are amortized through income using the effective interest rate method over the life of the loans. This calculation however, does not include costs that any other party is directly responsible for as: taxes, notary fees, insurance, registration, etc. In the case of early repayment, cancellation or acceleration the outstanding deferred income from the related fees is recalculated taking into account the new maturity date. If the commitment expires without a loan being drawn down, the related fee is recognized as income on expiry.

Other commitment and guarantee fees and fees received in respect of services provided over a period of time are recognized as income on an accrual basis matching the period during which the commitment exists or the services are provided. Additionally, fees from negotiation, cancellation, arrangement, etc are recognized on completion of the related transaction. Dividends are recognized when received. Administrative expenses are recorded on an accrual basis.

Notes to the Financial Statements

Staff Retirement and Termination Benefits

The Bank has established a pension plan, where the fund's assets are held separately from the Bank's own assets, for all its eligible employees, consisting of three pillars:

- The first pillar is a defined benefit scheme financed entirely by the Bank. The scheme's funding level and the Bank's contributions are determined on the basis of actuarial valuations performed annually by qualified, independent actuaries. The Bank is under the obligation to maintain the scheme fully funded, and to this effect, has always liquidated any past service deficit in the course of the year following the relevant actuarial valuation. Actuarial and asset gains or losses are recognized in "Other comprehensive income", and net gains or losses are included in remeasurements where any change in the effect of the asset ceiling, excluding those amounts that have been already included in personnel expenses, are also included.

- The second pillar is a defined contribution scheme to which both the employee and the Bank contribute equally at a rate of 0-12% of basic salary. Each employee determines his/her contribution rate and the mode of investment of the contributions.

- The third pillar is a defined contribution scheme funded entirely by each employee, up to 40% of basic salary.

As an alternative, staff are entitled to retirement benefits from the Greek State Social Insurance Fund ("IKA"), which is a defined contribution scheme.

Current service costs in respect of both the pension plan and IKA are recognized as an expense and included in "Personnel expenses".

The Bank may offer termination benefits to employees that are separated based on the Bank's separation policy. These benefits, including indemnities and any related retirement benefits, are recognized in income as an expense in the same period which they are incurred.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants relating to fixed asset expenditures are recognized in income on a straight-line basis over the same period as that applied for depreciation purposes. Those relating to administrative expenses are recognized in income matching with the expense incurred.

Operating Leases – the Bank as a Lessee

For the Bank, an operating lease is a lease other than a finance lease. Under such agreements, all the risks and benefits of ownership are effectively retained by the lessor. The Bank has entered into this type of lease for its Headquarters building. Payments made under operating leases are charged to income on a straight-line basis over the period of the lease term. Any benefits received or that are receivable are also recognized on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor, by way of penalty, is recognized as an expense in the period which the termination takes place.

New and Forthcoming Accounting Standards

The accounting policies have been consistently applied to all periods presented in the financial statements.

a) New currently effective requirements

- IFRS 14 Regulatory Deferred Accounts.

- Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11).

- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).

- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).

- Equity Method in Separate Financial Statements (Amendments to IAS 27).

- Annual Improvements to IFRS's 2012-2014 Cycle – various standards.

- Investment entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

- Disclosure Initiative (Amendment to IAS 1).

The above new standards and amendments to standards did not have an impact on the Bank's financial statements.

b) Forthcoming requirements

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016; however, the Bank has not applied the following new or amended standards in preparing these financial statements.

- Disclosure Initiative (Amendments to IAS 7) which is effective for annual reporting periods beginning on or after 1 January 2017.

- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) which is effective for annual reporting periods beginning on or after 1 January 2017.

- IFRS 9 Financial Instruments which is effective for annual reporting periods beginning on or after 1 January 2018.

- IFRS 15 Revenue from Contracts from Customers which is effective for annual reporting periods beginning on 1 January 2018.

- IFRS 16 Leases which is effective for annual reporting periods beginning on 1 January 2019.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

A number of the above new or amended standards permit early adoption, which the Bank has not adopted to do. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9, IFRS 15 and the Amendment to International Accounting Standard 7. For the remaining new or amended standards noted above are not expected to have a significant impact on the Bank's financial statements.

4. USE OF ESTIMATES

The preparation of financial statements involves management estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Consequently, the specific considerations regarding the use of management judgment in each area of estimate have been outlined in the respective accounting policy and disclosure note. The Bank's critical accounting judgments and estimates are as follows:

- Provisions for the impairment of loan operations. The Bank's method for determining the level of impairment of loan operations is described in the "impairment" accounting policy and further explained in the relevant risk management policies. Portfolio provisions for loans not individually assessed as impaired amounted to EUR 12,081 thousand as indicated in note 11.

  In determining the collective provisions rate the Bank takes into consideration PD (probability of default) and LGD (loss given default) factors extracted from the GEM's data base.

  Furthermore, there was a net decrease on specific provisions during the period made for the identified impairment of EUR 979 thousand, which was mainly due to a loan that was written off. Specific provisions are assigned according to the degree of potential impairment resulting from the impairment test that is conducted on the basis of objective evidence obtained through a risk asset review process.

  An impairment test includes projected cash in-flows and out-flows, available for debt service until maturity, which are discounted at the effective rate to reach a net present value for a particular operation, less any collateral that can be realized. Impairment losses incurred from specific provisions are recognized to the income statement.

- Staff retirement benefits. The Bank's has established a pension plan for its staff which is described in "staff retirement and termination benefits" accounting policy and is detailed under staff retirement plan in note 25. The present value of retirement benefit obligations is sensitive to the actuarial and financial assumptions used, including the discount rate applied. At the end of each year, the Bank determines the appropriate discount rate and other assumptions to be used to determine the present value of estimated future pension obligations, based on interest rates of suitable long-term bonds and on currencies as the EUR and USD. The Bank's liability to the staff retirement plan at the financial position date was EUR 812 thousand.

Actual results could differ from those estimates mentioned above, although such differences are believed not material and do not affect these financial statements.

5. RISK MANAGEMENT

Risk is inherent in the Bank's activities and is managed through an ongoing process of identification, measurement and monitoring, as well as being subject to risk limits and controls. A conservative approach to risk taking together with effective risk management, are critical to the Bank's continuing operations and profitability. The Board of Directors has approved risk management policies and guidelines that are delegated to the Management of the Bank for the identification and control of risk.

The Bank's lending risk management policy documents describe the procedures for approval, management and review of lending activity exposures. The Bank's Treasury Policy and Procedures defines the risk parameters to be observed by the Treasury in managing its exposures. The Bank is exposed to risks identified in this section.

Financial Risk

The Bank's exposure to financial risk is through its financial assets and liabilities including any receivables from these financial assets. Two key aspects of financial risk are (i) credit risk and (ii) liquidity risk.

a) Credit risk

The Bank is subject to credit risk, which is the risk that customers or counterparties will be unable to meet their obligations as they fall due. Credit risk arises principally from the Bank's lending activities. Regular reviews are conducted of all exposures within the lending portfolios, typically on a semi-annual basis, though exposures that are perceived to be more vulnerable to possible default are reviewed more frequently.

At each review there is (i) an assessment of whether there has been any change in the risk profile of the exposure (ii) recommendations of actions to mitigate risk and (iii) reconfirming or adjusting the risk ratings, and for equity investments, reviewing of fair value. Where relevant, the level of collective impairment or specific provision is evaluated and reconfirmed or adjusted. Responsibility for operations considered to be in jeopardy may be transferred from the original lending department to a corporate recovery team in order to most effectively manage the restructuring and recovery process.

For credit risks incurred by the Bank's Treasury in its investment and hedging activities, the Board of Directors has approved policies and guidelines for the determination of counterparty and investment exposure limits. The Bank's Risk Management Department assigns and monitors these counterparty and issuer credit risk limits. Treasury credit risks are also reviewed on a monthly basis by the Bank's Asset and Liability Committee.

The table below summarizes the maximum exposure to credit risk and indicates the worst-case scenario, without taking into consideration collateral, other credit enhancements or provisions of impairment.

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Cash and bank balances	90,822	49,745
Debt investment securities	545,879	139,299
Derivative financial instruments	-	3,485
Loans	1,088,704	1,049,732
Other assets	26,386	16,366
On-balance-sheet	**1,751,791**	**1,258,627**
Undrawn commitments	188,359	205,466
Total	**1,940,150**	**1,464,093**

b) Analysis by rating agency

The tables below provide an analysis of financial investments in accordance with their Moody's rating as follows.

	2016				
Presented in EUR (000)	Aaa – Aa3	A1 – A3	Baa1 – Baa3	Unrated	**Total**
Analysis by Moody's rating					
Cash and bank balances	90,822	-	-	-	**90,822**
Debt investment securities	127,096	279,099	139,684	-	**545,879**
Equity investments	-	-	-	59,172	**59,172**
At 30 June	**217,918**	**279,099**	**139,684**	**59,172**	**695,873**
Of which issued by					
Governments	36,030	9,203	9,403	-	**54,636**
Corporates	91,066	269,896	130,281	59,172	**550,415**
Deposits at banks	90,822	-	-	-	**90,822**
At 30 June	**217,918**	**279,099**	**139,684**	**59,172**	**695,873**
Of which classified as					
Available-for-sale	127,096	279,099	139,684	59,172	**605,051**
Held-to-maturity	-	-	-	-	**-**
Amortized cost	90,822	-	-	-	**90,822**
At 30 June	**217,918**	**279,099**	**139,684**	**59,172**	**695,873**

	2015				
Presented in EUR (000)	Aaa – Aa3	A1 – A3	Baa1 – Baa3	Unrated	**Total**
Analysis by Moody's rating					
Cash and bank balances	49,745	-	-	-	**49,745**
Debt investment securities	15,000	124,299	-	-	**139,299**
Equity investments	-	-	-	63,800	**63,800**
At 31 December	**64,745**	**124,299**	**-**	**63,800**	**252,844**
Of which issued by					
Governments	-	-	-	-	**-**
Corporates	15,000	124,299	-	63,800	**203,099**
Deposits at banks	49,745	-	-	-	**49,745**
At 31 December	**64,745**	**124,299**	**-**	**63,800**	**252,844**
Of which classified as					
Available-for-sale	15,000	124,299	-	63,800	**203,099**
Held-to-maturity	-	-	-	-	**-**
Amortized cost	49,745	-	-	-	**49,745**
At 31 December	**64,745**	**124,299**	**-**	**63,800**	**252,844**

c) Credit risk in loans portfolio

The tables below provide an analysis of the Bank's internal probability of default rating scale from 1 (lowest risk) to 15 (highest risk) and how it corresponds to the external ratings of Moody's credit rating service. Most of the Bank's loans as of the financial position date were externally rated by a major credit rating investor services.

Risk rating	Internal risk rating category	External rating equivalent	Grade of investment
1	Excellent	Aaa	Investment
1	Very strong	Aa1 – Aa3	Investment
2	Strong	A1 – A3	Investment
3,4,5	Good	Baa1 – Baa3	Investment
6,7,8	Fair	Ba1 – Ba3	Investment
9,10,11	Weak	B1 – B3	Investment
12,13,14	Special attention	Caa1 –Caa3	Classified
15	Expected loss	Ca – C	Classified

Loans that are neither past due nor impaired are categorized as standard within collective impairment, and those loans that are individually identified as impaired are categorized within specific impairment (see note 14 for further analysis).

	Presented in EUR (000)						
Internal risk rating category	Neither past due nor impaired	Past due but not impaired	Impaired	**Total**	Collective provisions for impairment	Specific provisions for impairment	**Total**
Excellent	-	-	-	**-**	-	-	**-**
Very strong	-	-	-	**-**	-	-	**-**
Strong	-	-	-	**-**	-	-	**-**
Good	64,803	-	-	**64,803**	762	-	**762**
Fair	404,344	-	-	**404,344**	4,755	-	**4,755**
Weak	499,731	-	-	**499,731**	5,878	-	**5,878**
Special attention	56,713	1,640	51,574	**109,927**	686	7,180	**7,866**
Expected loss	-	-	9,899	**9,899**	-	9,899	**9,899**
At 30 June 2016	**1,025,591**	**1,640**	**61,473**	**1,088,704**	**12,081**	**17,079**	**29,160**

	Presented in EUR (000)						
Internal risk rating category	Neither past due nor impaired	Past due but not impaired	Impaired	**Total**	Collective provisions for impairment	Specific provisions for impairment	**Total**
Excellent	-	-	-	**-**	-	-	**-**
Very strong	-	-	-	**-**	-	-	**-**
Strong	-	-	-	**-**	-	-	**-**
Good	77,327	-	-	**77,327**	652	-	**652**
Fair	393,433	-	-	**393,433**	3,318	-	**3,318**
Weak	507,471	-	-	**507,471**	4,280	-	**4,280**
Special attention	29,420	-	29,093	**58,513**	248	5,070	**5,318**
Expected loss	-	-	12,988	**12,988**	-	12,988	**12,988**
At 31 December 2015	**1,007,651**	**-**	**42,081**	**1,049,732**	**8,498**	**18,058**	**26,556**

d) Collateral and credit enhancements

The Bank mitigates credit risk by holding collateral and other credit enhancements against exposure to customers and counterparties where it believes such security is necessary. The Bank defines security as mechanisms, procedures and assets negotiated in transactions that are meant to protect it against loss in case of non-performance. Security includes, but is not limited to, material assets, financial instruments, guarantees, covenants and comfort letters.

- Loans and advances. The Board of Directors approved guidelines for taking security under lending operations set the levels and types of collateral and other credit enhancements recommended for a given risk profile.

  The main types of collateral that may be obtained by the Bank are: mortgages on properties and equipment, pledges of equity shares and investment instruments, assignment of rights on certain contracts, cash or blocked deposits and other third party guarantees. If necessary, the Bank reassesses the value of collateral in order to determine if additional collateral is needed to be provided by the borrower. As at 30 June 2016 the secured portfolio was 68.8 per cent (2015: 63.4 per cent) of the total outstanding loans.

- Other financial instruments. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Bonds and Euro Commercial Paper held by the Bank as investment securities are generally unsecured. The Bank may hold cash or government securities as collateral against its derivative contract counterparties. At 30 June 2016 the Bank holds cash collateral an amount of EUR 9,990 thousand (2015: EUR 15,880 thousand).

e) Liquidity risk

Liquidity risk concerns the ability of the Bank to fulfill its financial obligations as they become due, and is a measure of the extent to which the Bank may require funds to meet those obligations. The Bank's liquidity management is concentrated on the timing of cash in-flows and out-flows, as well as the adequacy of available cash and liquid securities. For this, the Bank estimates and relates all expected cash flows from assets and liabilities.

The Bank is taking into consideration to the extent feasible the guidance documents issued by the Basel Committee on Banking Supervision. The Bank sets limits to control its liquidity risk exposure and vulnerabilities and regularly reviews such limits. The limit framework includes also measures ensuring that in a period of market stress, available liquidity exceeds liquidity needs and that the Bank can continue to operate.

The Bank's commitment to maintaining a strong liquidity position is established in policies, approved by the Board of Directors, including a minimum liquidity ratio of 50% of the Bank's net cash requirements over the next twelve months on a rolling basis. The Bank's liquid assets are maintained in short-term placements and negotiable securities.

The table below presents the cash flows payable on financial liabilities placed into relevant maturity groups, based on the remaining period from the financial position date to the contractual maturity date. It indicates the earliest maturity dates that the Bank's counterparties have the ability to demand repayment.

The figures represent undiscounted cash flows, and include estimated interest amounts, and therefore do not match to the statement of financial position.

Presented in EUR (000)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	**Total**
Borrowings	-	2,160	244,896	869,919	48,511	**1,165,486**
Derivative financial instruments	-	17,042	-	-	-	**17,042**
Payables and accrued interest	-	15,524	812	-	-	**16,336**
Financial Liabilities at 30 June 2016	**-**	**34,726**	**245,708**	**869,919**	**48,511**	**1,198,864**
Borrowings	-	1,824	233,844	291,382	60,197	**587,247**
Derivative financial instruments	-	20,427	-	-	-	**20,427**
Payables and accrued interest	-	5,206	1,183	-	-	**6,389**
Financial Liabilities at 31 December 2015	**-**	**27,457**	**235,027**	**291,382**	**60,197**	**614,063**

For the Bank's financial assets, the majority mature from one year and over taking into consideration the latest possible repayment date.

Market Risk

Market risk refers to the possibility of losses due to changes in the market prices of financial instruments, interest rates and exchange rates. The Bank funds its operations by using its capital and by borrowing in the international capital markets. The Bank aims to match, wherever possible, the currencies, tenors and interest rate characteristics of its borrowings with those of its lending portfolios. When necessary, the Bank uses derivative instruments to reduce its exposure to exchange rate and interest rate risk.

a) Foreign exchange risk

Exchange rate risk is the impact of unanticipated changes in foreign exchange rates on the Bank's assets and liabilities, and any impact that could mirror on the income statement. The Bank monitors its assets and liabilities in order to ensure the Bank takes no significant foreign exchange risks. In doing so the Bank matches, to the extent practicable, the assets in any one currency, after swap activities, with liabilities in the same currency.

Furthermore, to avoid currency mismatches, borrowers are required to service their loans in the currencies disbursed by the Bank.

The effect of any currency fluctuations on the net exposure of the Bank is minimal. The tables below provide a currency breakdown of the Bank's assets and liabilities.

Presented in EUR (000)	Euro	United States dollar	Swiss franc	Other *	**Total**
Assets					
Cash and bank balances	75,215	15,431	5	171	**90,822**
Debt investment securities	133,680	412,199	-	-	**545,879**
Derivatives financial instruments	-	-	-	-	**-**
Loans	426,033	644,130	-	18,541	**1,088,704**
Deferred income	(4,016)	(5,669)	-	(143)	**(9,828)**
Impairment losses on loans	(10,380)	(18,562)	-	(218)	**(29,160)**
Equity investments	33,845	15,371	-	9,956	**59,172**
Other assets	7,058	14,028	4,548	752	**26,386**
Total	661,435	1,076,928	4,553	29,059	**1,771,975**
Liabilities					
Borrowings	96,999	597,280	276,415	40,974	**1,011,668**
Derivative financial instruments	17,042	-	-	-	**17,042**
Payables and accrued interest	2,561	8,889	4,226	660	**16,336**
Total	116,602	606,169	280,641	41,634	**1,045,046**
Net financial instruments	544,833	470,759	(276,088)	(12,575)	**726,929**
Derivative financial instruments	174,042	(472,864)	276,065	22,549	**(208)**
Currency balance at 30 June 2016	**718,875**	**(2,105)**	**(23)**	**9,974**	**726,721**

* Primarily represents the Access Bank equity investment which is denominated in Azerbaijan manats. This exposure is not hedgeable at reasonable cost.

Presented in EUR (000)	Euro	United States dollar	Swiss franc	Other *	**Total**
Assets					
Cash and bank balances	34,036	15,692	-	17	**49,745**
Debt investment securities	75,002	64,297	-	-	**139,299**
Derivatives financial instruments	3,485	-	-	-	**3,485**
Loans	434,099	597,218	-	18,415	**1,049,732**
Deferred income	(2,732)	(4,758)	-	(174)	**(7,664)**
Impairment losses on loans	(8,486)	(17,915)	-	(155)	**(26,556)**
Equity investments	32,977	13,889	-	16,934	**63,800**
Other assets	6,460	7,869	1,520	517	**16,366**
Total	574,841	676,292	1,520	35,554	**1,288,207**
Liabilities					
Borrowings	74,843	165,596	277,260	23,249	**540,948**
Derivative financial instruments	20,427	-	-	-	**20,427**
Payables and accrued interest	2,651	2,230	1,167	341	**6,389**
Total	97,921	167,826	278,427	23,590	**567,764**
Net financial instruments	476,920	508,466	(276,907)	11,964	**720,443**
Derivative financial instruments	228,942	(510,824)	276,880	4,863	**(139)**
Currency balance at 31 December 2015	**705,862**	**(2,358)**	**(27)**	**16,827**	**720,304**

* Primarily represents the Access Bank equity investment which is denominated in Azerbaijan manats (see above).

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is determined on a financial instrument indicates to what extent it is exposed to interest rate risk. The Asset and Liability Management Unit monitors the interest rate exposure of the Bank.

The tables below provide information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of the financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date as at the financial position date.

	Interest bearing					
Presented in EUR (000)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Non-interest bearing	**Total**
Assets						
Cash and bank balances	90,815	-	-	-	7	**90,822**
Debt investment securities	154,505	120,074	181,140	90,160	-	**545,879**
Derivative financial instruments	-	-	-	-	-	**-**
Loans	197,354	312,579	510,188	68,583	-	**1,088,704**
Equity investments	-	-	-	-	59,172	**59,172**
Other assets	-	-	-	-	26,386	**26,386**
Total	442,674	432,653	691,328	158,743	85,565	**1,810,963**
Liabilities						
Borrowings	-	45,120	260,115	706,433	-	**1,011,668**
Derivative financial instruments	-	-	-	-	17,042	**17,042**
Payables and accrued interest	-	-	-	-	16,336	**16,336**
Total	-	45,120	260,115	706,433	33,378	**1,045,046**
Derivative financial instruments	(196,643)	(108,971)	(266,326)	571,940	-	**-**
Interest rate risk at 30 June 2016	**246,031**	**278,562**	**164,887**	**24,250**	**52,187**	**765,917**

	Interest bearing					
Presented in EUR (000)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Non-interest bearing	**Total**
Assets						
Cash and bank balances	49,744	-	-	-	1	**49,745**
Debt investment securities	124,299	15,000	-	-	-	**139,299**
Derivative financial instruments	-	-	-	-	3,485	**3,485**
Loans	152,150	287,987	571,611	37,984	-	**1,049,732**
Equity investments	-	-	-	-	63,800	**63,800**
Other assets	-	-	-	-	16,366	**16,366**
Total	326,193	302,987	571,611	37,984	83,652	**1,322,427**
Liabilities						
Borrowings	-	46,047	247,149	247,752	-	**540,948**
Derivative financial instruments	-	-	-	-	20,427	**20,427**
Payables and accrued interest	-	-	-	-	6,389	**6,389**
Total	-	46,047	247,149	247,752	26,816	**567,764**
Derivative financial instruments	(177,225)	(111,518)	184,587	104,156	-	**-**
Interest rate risk at 31 December 2015	**148,968**	**145,422**	**509,049**	**(105,612)**	**56,836**	**754,663**

c) Sensitivity analysis

The Bank's interest rate sensitivity analysis comprises two elements. Firstly, there is the differential between the interest rate the Bank earns on its assets and the cost of borrowing to fund these assets. For this element the Bank does, as closely as possible, match interest rate periods, thus minimizing sensitivity. Secondly, there is the absolute rate earned on assets that are funded by the Bank's equity resources. The majority of these equity resources are currently invested in the Bank's loan portfolio at floating rates; therefore, subjecting earnings on equity resources to some degree of fluctuation.

Notes to the Financial Statements

The table below details the re-pricing gap by currency. A parallel upward or downward shift in the EUR curve of 50 basis points would have generated the maximum loss or gain respectively.

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Euro	213,200	234,000
United states dollar	(19,900)	(1,043,900)
Total re-pricing gap	193,300	(809,900)
Shift of 50 basis points in the EUR curve	**966**	**(4,050)**

Operational Risk

The Bank defines operational risk as all aspects of risk related exposure other than those falling within the scope of financial and market risk. This includes the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and legal risk. The Bank has a low tolerance for losses arising from the operational risks it is exposed to.

Where any such risks are identified, appropriate mitigation and control measures are put in place. The Bank's operational risk management focuses on proactive measures to mitigate the operational risk. The Bank is committed to follow the best practices and market standards in the area of accountability, transparency and business ethics. Due-diligence on customers and counterparties take into consideration the Anti-Fraud Corruption and Monetary Laundering Policy and Know-Your Customer Procedures.

Classification and Fair Value

a) Classification

Investment securities classified as "available for sale" include government and corporate bonds and Euro Commercial Paper, and their fair value has been determined using quoted prices.

Equity investments classified as "available for sale" include investments in that are not quoted on an exchange (i.e. private equity), the fair value of which has been estimated with techniques that use inputs not based on observable market data.

b) Financial assets and liabilities

The tables below identify the Bank's financial assets and financial liabilities in accordance with IAS 39 categories. The fair value of the financial assets and financial liabilities is disclosed as equal to the carrying value, plus accrued interest, as all bear a variable interest rate and are given at market terms and conditions.

	At 30 June 2016			
Presented in EUR (000)	Held-to-maturity	Loans and receivables	At amortized cost	**Carrying amount**
Assets				
Cash and bank balances	-	-	90,822	**90,822**
Loans	-	1,088,704	-	**1,088,704**
Deferred income	-	-	(9,828)	**(9,828)**
Impairment losses on loans	-	(29,160)	-	**(29,160)**
Other assets	-	26,386	-	**26,386**
Total financial assets	**-**	**1,085,930**	**80,994**	**1,166,924**
Liabilities				
Borrowings	-	-	1,011,668	**1,011,668**
Payables and accrued interest	-	-	16,336	**16,336**
Total financial liabilities	**-**	**-**	**1,028,004**	**1,028,004**

Presented in EUR (000)	Held-to-maturity	Loans and receivables	At amortized cost	**Carrying amount**
	At 31 December 2015			
Assets				
Cash and bank balances	-	-	49,745	**49,745**
Loans	-	1,049,732	-	**1,049,732**
Deferred income	-	-	(7,664)	**(7,664)**
Impairment losses on loans	-	(26,556)	-	**(26,556)**
Other assets	-	16,366	-	**16,366**
Total financial assets	**-**	**1,039,542**	**42,081**	**1,081,623**
Liabilities				
Borrowings	-	-	540,948	**540,948**
Payables and accrued interest	-	-	6,389	**6,389**
Total financial liabilities	**-**	**-**	**547,337**	**547,337**

c) Fair value hierarchy

The Bank held the below financial instruments measured at fair value, and uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

The tables below identify the Bank's financial instruments measured at fair value.

Presented in EUR (000)	Level 1	Level 2	Level 3	**Carrying Amount**
Derivative financial instruments – assets	-	-	-	**-**
Available-for-sale:				
Debt investment securities	545,879	-	-	**545,879**
Equity investments	-	-	59,172	**59,172**
Derivative financial instruments – liabilities	-	(17,042)	-	**(17,042)**
At 30 June 2016	**545,879**	**(17,042)**	**59,172**	**588,009**

There have been no transfers between Level 1 and Level 2 during the year. For Level 1 and Level 2 the valuation techniques used are broker quotes and observable market data, or discounted cash flow models. For Level 3 the valuation technique used is the net asset value ("NAV"), and equity calculations based on EBITDA and market data.

Presented in EUR (000)	Level 1	Level 2	Level 3	**Carrying Amount**
Derivative financial instruments – assets	-	3,485	-	**3,485**
Available-for-sale:				
Debt investment securities	139,299	-	-	**139,299**
Equity investments	-	-	63,800	**63,800**
Derivative financial instruments – liabilities	-	(20,427)	-	**(20,427)**
At 31 December 2015	**139,299**	**(16,942)**	**63,800**	**186,157**

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d) Fair value measurement in level 3

The table provides a reconciliation of the fair values of the Bank's Level 3 financial assets of the fair value hierarchy.

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
At 1 January	63,800	84,860
Total gains or (losses) for the year recognized in the income statement	(449)	3,645
Total gains or (losses) recognized in other comprehensive income	(5,372)	(24,688)
Purchases, sales, issues and settlements	1,193	(17)
At end of period	**59,172**	**63,800**

e) Sensitivity analysis for level 3

The table below indicates a possible impact on net income for the Level 3 financial instruments carried at fair value at the financial position date, on an estimated 5% increase or decrease in net assets value of the equity investments based on the Bank's participation.

Presented in EUR (000)	Carrying amount	Favorable change	Unfavorable change
Equity investments	59,172	2,959	(2,959)

Capital Management

At the inception of the Bank initial authorized share capital was SDR 1 billion, which was fully subscribed by the Member States. In December 2007 the Board of Governors approved an increase of the Bank's authorized share capital to SDR 3 billion and authorized the offering of SDR 1 billion to the existing Member States for subscription, with the objective of increasing subscribed capital to a total of SDR 2 billion. The increase allows the Bank to implement its operational strategy to a substantial degree. The Bank does not have any other classes of capital.

In October 2008 the above new shares in the amount of SDR 1 billion that were offered for subscription to the Bank's Member States were fully subscribed and allocated. Accordingly, the Bank's paid-in share capital was doubled from SDR 300 million to SDR 600 million. The remaining SDR 1 billion of authorized share capital has not yet been allocated.

Pursuant to Resolution 131 of the Board of Governors a unanimously adopted first amendment to the Establishing Agreement became effective on 21 June 2013. As of this effective date, and as per Resolution 131 of the Board of Governors, the unit of account of the Bank became the EUR and which all of the Bank's authorized share capital was redenominated from SDR to EUR. The conversion rate applied was SDR to EUR fixed at 1:1.15.

The capital usage of the Bank is guided by statutory and financial policy parameters. Article 15 of the Establishing Agreement limits the total amount of outstanding loans, equity investments and guarantees made for ordinary operations to 150% of the Bank's unimpaired subscribed capital, reserves and surpluses, establishing a 1.5:1 institutional gearing ratio. Additionally, disbursed equity investments shall not at any time exceed an amount corresponding to the Bank's total unimpaired paid-in capital, surpluses and general reserve.

At the 36^{th} meeting of the Board of Directors in 2008, the operational gearing ratio was set at 100% of the Bank's unimpaired paid-up capital, reserves and surpluses, and the usable portion of the callable capital. This limit on the total amount of operations which includes all callable capital is approximately EUR 2.2 billion.

The Bank preserves an actively managed capital to prudently cover risks in its activities. As a multilateral financial institution, the Bank is not subject to regulatory capital requirements. However, the Bank uses standards proposed by the Basel II Capital Accord as a benchmark for its risk management and capital framework. Pursuant to Article 5 of the Establishing Agreement, the Board of Governors shall at intervals of not more than five years review the capital stock of the Bank. In substance, the primary objective of the Bank's capital management is to ensure adequate capital is available to support the Bank's operations.

6. OPERATING SEGMENTS

The Bank is a multilateral financial institution dedicated to accelerating development and promoting cooperation among its shareholder countries. The Bank operates in a specific geographical area and the primary reporting format for business segments includes Lending and Treasury operations. Lending activities represent investments in projects such as loans, equity investments and guarantees, which in accordance with the Establishing Agreement, are made to accelerate development and promote co-operation among the Bank's shareholder countries. Treasury activities include raising debt finance, investing surplus liquidity, and managing the Bank's foreign exchange and interest rate risks.

	30 June 2016			30 June 2015		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Income statement						
Interest income	28,455	1,071	29,526	23,560	268	23,828
Net fees and commissions	664	1	665	497	-	497
Other income (expense)	16	3	19	2,597	-	2,597
Total segment revenues	29,135	1,075	30,210	26,654	268	26,922
Less: interest expense	(12,072)	(2,769)	(14,841)	(5,693)	(1,327)	(7,020)
Net fair value and foreign exchange	-	(834)	(834)	-	(111)	(111)
Less: personnel and other admin. expenses	(8,784)	(495)	(9,279)	(8,432)	(640)	(9,072)
Less: depreciation and amortization	(287)	(5)	(292)	(326)	(6)	(332)
Segment income before impairment	7,992	(3,028)	4,964	12,203	(1,816)	10,387
Less: impairment (losses) release	(5,814)	-	(5,814)	(2,409)	-	(2,409)
Net income (loss) for the period	**2,178**	**(3,028)**	**(850)**	**9,794**	**(1,816)**	**7,978**

	30 June 2016			31 December 2015		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Financial position						
Segment assets	1,136,316	636,701	1,773,017	1,096,782	192,529	1,289,311
At end of period			**1,773,017**			**1,289,311**
Segment liabilities	1,028,004	17,042	1,045,046	547,337	20,427	567,764
Members' equity	-	-	727,971	-	-	721,547
At end of period			**1,773,017**			**1,289,311**

The geographical segment reporting of the Bank is presented in note 16 "Operational analysis".

7. INTEREST INCOME

Interest and similar income is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2016	Six months to 30 June 2015
From loans and advances	28,455	23,560
From placements with financial institutions	2	2
From investment securities available-for-sale	846	94
From derivative financial assets at fair value	223	172
Interest income	**29,526**	**23,828**

8. INTEREST EXPENSE

Interest and similar expense is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2016	Six months to 30 June 2015
From borrowed funds	4,139	2,509
From issued debt	7,933	2,916
From derivative financial liabilities at fair value	2,136	1,278
From amortized issuance and arrangement costs	482	268
From other charges	151	49
Interest expense	**14,841**	**7,020**

9. NET FEES AND COMMISSIONS

Net fees and commissions is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2016	Six months to 30 June 2015
Guarantee fees	81	32
Management fees	220	151
Appraisal fees	88	137
Administration fees	29	2
Arrangement fees	-	-
Surveillance fees	51	45
Prepayment / cancellation fees	181	124
Other fees	15	6
Net Fees and commissions	**665**	**497**

10. PERSONNEL AND OTHER ADMINISTRATIVE EXPENSES

Administrative expenses are analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2016	Six months to 30 June 2015
Salaries and benefits	5,856	5,571
Staff retirement plans	1,388	1,365
Personnel expenses	**7,244**	**6,936**

Professional fees and related expenses	374	570
Utilities and maintenance	676	648
Other administrative	985	918
Other administrative expenses	**2,035**	**2,136**

The average number of staff employed during the period was 109 (respective period 2015: 103). The number of staff at 30 June 2016 was 109 (30 June 2015: 103). Further analysis of the staff retirement plan is presented in note “Employee benefits”.

11. IMPAIRMENT LOSSES ON LOANS

Loans are stated net of provisions. A summary of the movements in provisions for impairment were as follows:

Presented in EUR (000)	Collective	Specific	Total
At 31 December 2014	6,947	40,787	47,734
Charge	1,305	4,676	5,981
Release	(393)	(3,188)	(3,581)
Against loan disposal	-	(25,641)	(25,641)
Against write-offs	-	(7,148)	(7,148)
Foreign exchange adjustments	266	3,152	3,418
At 30 June 2015	8,125	12,638	20,763
Charge	1,359	5,071	6,430
Release	(1,113)	-	(1,113)
Foreign exchange adjustments	127	349	476
At 31 December 2015	8,498	18,058	26,556
Charge	4,504	2,873	7,377
Release	(832)	(758)	(1,590)
Against write-offs	-	(2,776)	(2,776)
Foreign exchange adjustments	(89)	(318)	(407)
At 30 June 2016	**12,081**	**17,079**	**29,160**

The Bank’s collective impairment evaluation is currently based on the Global Emerging Markets (“GEMs”) data base and the internal rating. The Bank’s rating scorecards which determine operation risk levels were developed by the Bank with the assistance of Moody’s Analytics.

At 30 June 2016 the Bank categorized seven loans as impaired with an exposure amount of EUR 61,473 thousand (2015: four loans with an exposure amount of EUR 42,081 thousand), out of which two of them are categorized as non-performing. Provision on these assets amounted to EUR 17,079 thousand (2015: EUR 18,058 thousand). Management estimates that the allowance for the impaired loans is adequate to cover potential or unforeseen uncollectible amounts in the existing portfolio.

12. DEBT INVESTMENT SECURITIES

Debt investment securities are analyzed as follows:

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Corporate bonds	102,617	10,002
Commercial papers	443,262	129,297
Debt investment securities	**545,879**	**139,299**

13. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the Bank's outstanding forward foreign exchange contracts. The first column shows the sum of notional amounts, which is the amount of a derivative's nominal value, and is the basis upon which changes in the value are measured. The second column shows the market value of the notional amounts and also the net valuation attributable to fair value hedges.

	At 30 June 2016			At 31 December 2015		
Presented in EUR (000)	Notional Amount	Fair Value		Notional Amount	Fair Value	
		assets	liabilities		assets	liabilities
Currency swap purchases	130,000	-	130,000	185,000	185,000	-
Currency swap sales	(132,787)	-	(132,490)	(181,063)	(181,515)	-
Designated fair value hedges	-	-	(14,552)	-	-	(20,427)
Derivative financial instruments	**(2,787)**	**-**	**(17,042)**	**3,937**	**3,485**	**(20,427)**

The above derivative financial instrument contracts with financial counterparties have been documented under International Swaps and Derivative Association ("ISDA") Master Agreements with Credit Support Annexes ("CSA"s). Pursuant to such arrangements the Bank is eligible to offset assets and liabilities in the event of a counterparty default occurrence.

The Bank's hedge accounting is based on a clearly documented relationship between the item hedged and the hedging instrument, having a one-on-one relationship, which is documented at the time a hedge transaction is entered into. This relationship arises within the context of the Bank's borrowing activities in which the Bank's issued bonds are combined with swaps to achieve floating-rate debt in a currency sought by the Bank.

14. LOANS

The Bank offers a range of loan facilities directed to investments for both project and trade financing, and tailored to meet an individual operation's requirements. Loans may be denominated in any convertible currency, or a combination of convertible currencies in which the Bank is able to fund itself.

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
At 1 January	1,049,732	877,122
Disbursements	219,447	371,958
Less: repayments	(164,791)	(210,183)
Disposal	-	(25,641)
Write-offs	(2,776)	(7,148)
Foreign exchange movements	(12,908)	43,624
Loans total	1,088,704	1,049,732
Less: deferred income	(9,828)	(7,664)
Less: impairment losses	(29,160)	(26,556)
Loans net of impairment	**1,049,716**	**1,015,512**

During the period of 2016 the Bank had written off a loan reflecting the deteriorating environment in the region. This operation was for many years impaired and categorized as non-performing.

As of 30 June 2016 all loan facilities are classified as standard apart from seven that were impaired. Out of the impaired loans, two are categorized as non-performing with an exposure amount of EUR 11,770 thousand. As of this date, the amount of interest and similar income that has not been accrued related to impaired loans was EUR 11,129 thousand, out of which an amount of EUR 540 thousand refers to the current period.

At 30 June 2016 the Bank had one restructured loan operation for the reporting period.

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Collectively impaired	1,025,591	1,007,651
Less: deferred income	(9,828)	(7,664)
Less: allowance for impairment	(12,063)	(8,498)
Carrying amount	1,003,700	991,489
Past due but not impaired	1,640	-
Less: allowance for impairment	(18)	-
Carrying amount	1,622	-
Individually impaired	61,473	42,081
Less: allowance for impairment	(17,079)	(18,058)
Carrying amount	44,394	24,023
Total carrying amount at amortized cost	**1,049,716**	**1,015,512**

Interest is generally based on Libor for USD loans and Euribor for EUR loans plus a margin. Margins are dependent on the risk category of each loan and typically range from 1.5% to 8.0%. The fair value of the loan portfolio is approximately equal to carrying value plus accrued interest as all loans bear a variable interest rate and are given at market terms and conditions. Further analysis of the loan portfolio is presented in note "Operational analysis".

15. EQUITY INVESTMENTS

A primary focus of the Bank is to facilitate access to funding for those small and medium size enterprises with the potential for positive economic developmental impact. With this objective in mind, the Bank, together with a number of other institutions invested in the entities as detailed below.

		At 30 June 2016		At 31 December 2015	
Presented in EUR (000)	% of Investment	Cost	Fair value	Cost	Fair value
SEAF Caucasus Growth Fund	21.39	7,289	6,353	7,314	5,627
Access Bank, Azerbaijan	20.00	9,876	9,956	9,996	16,934
Balkan Accession Fund	9.09	6,024	8,202	6,094	7,508
A-Park Kaluga, Russia	19.99	1,714	1,365	1,714	641
Emerging Europe Accession Fund	10.15	4,052	8,597	3,630	7,498
Rusal	0.01	4	114	4	119
ADM Ceecat Recovery Fund	5.65	10,506	11,061	10,259	11,274
European Virgin Fund	21.05	9,310	8,905	9,494	8,143
Teamnet International	8.33	5,599	4,619	5,125	6,056
Natfood	0.01	-	-	-	-
Equity investments available-for-sale		**54,374**	**59,172**	**53,630**	**63,800**

The valuation of such investments, which are unlisted, has been estimated using the most recent management accounts or the latest audited accounts as of 31 December 2015, as management considers that is the best available estimate of the investments fair value. The techniques applied to perform these valuations include equity calculations based on EBITDA and market data.

The increase of EUR 4,798 thousand corresponds to the difference between acquisition cost and fair value as of 30 June 2016.

As of 30 June 2016 the Bank has a committed amount of EUR 9,211 thousand towards the above entities participation. Further analysis of the equity investment portfolio is presented in note “Operational analysis”.

As at 30 June 2016 the Bank has three equity investments where it holds slightly more than 20 per cent of the investee share capital, but does not exert significant influence, hence the investment is not accounted for as an investment in an associate under IAS 28.

16. OPERATIONAL ANALYSIS

The analysis of operational activity of the Bank by geographical area, instrument and sector are presented below:

	At 30 June 2016		At 31 December 2015	
Presented in EUR (000)	Outstanding disbursements	Undrawn commitments	Outstanding disbursements	Undrawn commitments
Analysis by instrument				
Loans	1,088,704	164,538	1,049,732	180,098
Equity investments	59,172	9,211	63,800	10,063
Guarantees	-	14,610	-	15,305
At end of period	**1,147,876**	**188,359**	**1,113,532**	**205,466**
Analysis by country				
Albania	41,966	505	44,050	574
Armenia	86,551	589	95,537	638
Azerbaijan	116,384	31,994	125,787	48,597
Bulgaria	48,436	5,667	45,292	976
Georgia	65,046	25,647	66,277	26,230
Greece	46,642	-	42,138	6,200
Moldova	13,431	4,754	15,171	4,838
Romania	157,097	4,769	115,652	42,581
Russia	243,488	6,764	276,508	592
Turkey	260,804	92,460	229,659	64,456
Ukraine	68,031	15,210	57,461	9,784
At end of period	**1,147,876**	**188,359**	**1,113,532**	**205,466**
Loans analysis by sector				
Consumer discretionary	48,119	-	52,994	62
Consumer staples	144,880	22,040	115,428	24,531
Energy	70,582	10,485	33,205	24,800
Financial institutions	386,528	35,185	447,657	36,946
Health care	28,555	90,600	22,930	46,225
Industrials	114,253	-	123,105	-
Information technology	10,500	-	10,500	-
Materials	165,656	6,228	113,751	47,534
Real estate	21,281	-	24,722	-
Telecom services	-	-	-	-
Utilities	98,350	-	105,440	-
At end of period	**1,088,704**	**164,538**	**1,049,732**	**180,098**

The Bank is restricted to operating in its 11 Member States and individual country limits are set as a maximum at 30% of planned commitments. This limit is calculated on the basis of the Board of Directors approved operations, minus repayments and cancellations. Individual operations are further constrained by the Single Obligor Limit and by monitoring of Sectoral Exposure.

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Operations are monitored according to a schedule coordinated by the Department of Project Implementation and Monitoring, with inputs from the originated Banking Teams regarding the availability of financial data. Monitoring reports are completed by the Bank's Department of Project Implementation and Monitoring based on financial analysis prepared by the Department of Financial Analysis. Risk asset reviews, based on the mentioned monitoring reports, are performed by the Department of Risk Management, and may result in a downgrade or upgrade of an operation's status and, if a significant deterioration is noted, trigger an impairment test.

17. PROPERTY AND EQUIPMENT

Property and equipment is analyzed as follows:

Presented in EUR (000)	Buildings (leasehold)	Vehicle	Furniture and office accessories	Computers and office equipment	Total
Cost					
At 31 December 2014	734	95	568	1,460	2,857
Additions	7	-	18	86	111
Disposals	-	-	(22)	(50)	(72)
At 30 June 2015	741	95	564	1,496	2,896
Additions	49	-	30	89	168
Disposals	-	-	-	-	-
At 31 December 2015	790	95	594	1,585	3,064
Additions	23	105	9	21	158
Disposals	-	-	(31)	(141)	(172)
At 30 June 2016	**813**	**200**	**572**	**1,465**	**3,050**
Accumulated depreciation					
At 31 December 2014	445	71	481	1,104	2,101
Charges	88	10	18	89	205
Disposals	-	-	(22)	(50)	(72)
At 30 June 2015	533	81	477	1,143	2,234
Charges	86	9	25	89	209
Disposals	-	-	-	-	-
At 31 December 2015	619	90	502	1,232	2,443
Charges	62	7	22	90	181
Disposals	-	-	(31)	(141)	(172)
At 30 June 2016	**681**	**97**	**493**	**1,181**	**2,452**
Net book value					
At 30 June 2016	**132**	**103**	**79**	**284**	**598**
At 31 December 2015	171	5	92	353	621
At 30 June 2015	208	14	87	353	662

18. INTANGIBLE ASSETS

Intangible assets comprising computer software are analyzed as follows:

Presented in EUR (000)	Total
Cost	
At 31 December 2014	3,431
Additions	60
At 30 June 2015	3,491
Additions	262
At 31 December 2015	3,753
Additions	72
At 30 June 2016	**3,825**
Accumulated amortization	
At 31 December 2014	3,017
Charges	128
At 30 June 2015	3,145
Charges	125
At 31 December 2015	3,270
Charges	111
At 30 June 2016	**3,381**
Net book value	
At 30 June 2016	**444**
At 31 December 2015	483
At 30 June 2015	346

19. OTHER ASSETS

Other assets is analyzed as follows:

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Accrued interest	20,048	11,230
Advances and prepaid expenses	4,660	3,357
Other prepayments	-	184
Guarantee deposits	1,678	1,595
Other assets	**26,386**	**16,366**

20. BORROWINGS

Borrowing facilities arranged at the financial position date are analyzed below. In addition to medium or long-term borrowings, the Bank utilizes short-term financing in the form of ECP issuance or borrowings from commercial banks for cash management purposes. At 30 June 2016 the Bank had issued debt securities in the amount of EUR 779,806 thousand.

	At 30 June 2016		At 31 December 2015	
Presented in EUR (000)	Amount used	Borrowings arranged	Amount used	Borrowings arranged
Euro	96,999	136,999	74,843	94,843
United States dollar	597,280	597,280	165,596	165,596
Swiss franc	276,415	276,415	277,260	277,260
Romanian lei	22,433	22,433	4,834	4,834
Georgian lari	18,541	18,541	18,415	18,415
Total	**1,011,668**	**1,051,668**	**540,948**	**560,948**

The Interest rate on borrowings falls within an approximate range of Euribor or USD Libor of +0 to +375 points. There is no collateral against the above borrowed funds. The fair value of the borrowings is approximately equal to their carrying value.

21. PAYABLES AND ACCRUED INTEREST

Payables and accrued interest is analyzed as follows:

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Accrued interest	14,586	4,112
Social insurance fund (IKA) contributions	4	4
Pension plan obligation	812	1,183
Suppliers and other accrued expenses	875	1,058
Other	59	32
Payables and accrued interest	**16,336**	**6,389**

22. SHARE CAPITAL

From the Bank's inception, and in accordance with Article 4 of the Establishing Agreement, the Bank denominated its authorized share capital in the Special Drawing Right ("SDR") as defined by the International Monetary Fund ("IMF"). Resolution 131 of the Board of Governors ("BoG") unanimously adopted the requisite amendments to paragraph 1 of Article 4 and Articles 23 and 24 of the Establishing Agreement, to expressly include among the exclusive powers of the BoG the change of the unit of account of the Bank, and the redenomination of all capital stock of the Bank. These amendments to the Establishing Agreement became effective on 21 June 2013 (the "Effective Date"). In accordance with such Resolution 131 of the Board of Governors as of the Effective Date the unit of account of the Bank became the EUR and the authorized capital stock of the Bank was redenominated into three billion four hundred and fifty million EUR (3,450,000,000), divided into three million (3,000,000) shares having a par value of one thousand and one hundred and fifty EUR (1,150) each, inclusive of all subscribed and unallocated shares. Accordingly, as of the Effective Date, all outstanding share capital commitments of participating members in respect of their subscribed shares were converted into EUR.

The authorized capital stock of the Bank may be increased at such time and under such terms as may seem advisable.

The Bank's capital stock is divided into paid-in shares (fully paid and payable in installments) and callable shares. Payment for the paid-in shares subscribed to by members was made over a period of years in accordance with Article 6 of the Establishing Agreement for the initial capital raising purpose of the Bank, and as determined in advance by the Bank for capital increases (in the only capital increase of the Bank so far, the structure of payments specified was similar to the one in Article 6). The same Article states that payment of the amount subscribed to in respect of the callable shares is subject to call only as and when required by the Bank to meet its obligations.

Under Article 37 of the Establishing Agreement any member may withdraw from the Bank by transmitting a notice in writing to the Bank at its Headquarters. Withdrawal by a member shall become effective and its membership shall cease on the date specified in its notice, but in no event less than six months after such notice is received by the Bank. However, at any time before the withdrawal becomes finally effective, the member may notify the Bank in writing of the cancellation of its notice of intention to withdraw. Under Article 39 of the Establishing Agreement after the date on which a member ceases membership, it shall remain liable for its direct obligations to the Bank, and also remain responsible for its contingent liabilities to the Bank, incurred as of that date. No member has ever withdrawn its membership, nor has any ever indicated to the Bank it might do so. Were a member to withdraw from the Bank, at the time a member ceases membership, the Bank shall arrange for the repurchase of such a member's shares by the Bank as part of the settlement of accounts with such a member, and be able to impose conditions and set dates pursuant to the same Article 39 of the Establishing Agreement. Any amount due to the member for its shares shall be withheld so long as the member, including its central bank or any of its agencies, has outstanding obligations to the Bank, which may, at the option of the Bank, be applied to any such liability as it matures.

If losses are sustained by the Bank on any guarantees or loans which were outstanding on the date when a member ceased membership and the amount of such losses exceeds the amount of the reserves provided against losses on the date, the member concerned shall repay, upon demand, the amount by which the repurchase price of its shares would have been reduced if the losses had been taken into account when the repurchase price was determined.

Under Article 42 of the Establishing Agreement in the event of termination of the operations of the Bank, the liability of members for the unpaid portion of the subscribed capital of the Bank shall continue until all claims of creditors, including all contingent claims, have been discharged.

All participating members had fully subscribed to the initial authorized share capital in accordance with Article 5 of the Establishing Agreement. Subsequently, at the Sixth Annual Meeting of the Board of Governors held on 6 June 2004 three Member States, Armenia, Georgia and Moldova requested a fifty per cent reduction of their portion of subscribed capital, from 2% to 1% of the initial authorized capital the Board of Governors approved their request. On 5 October 2008 the new shares pursuant to the capital increase of the Bank were offered in the same structure as the initial authorized share capital, in the amount of EUR 1.150 billion, and were fully subscribed by the Member States. Furthermore, Azerbaijan also subscribed to the 3% of the initial authorized share capital that remained unallocated, after the above mentioned participation reduction, while Romania subscribed both to their allocation of new shares and to those that would have been allocated to Georgia had it chosen to participate in the capital increase. This subscription process followed a decision taken by the Board of Governors in December 2007 to triple the Bank's authorized capital to EUR 3.450 billion and to double the subscribed capital to EUR 2.3 billion, while leaving authorized capital of EUR 1.150 billion unallocated. On October 2011 the Board of Governors approved the request from Moldova for a fifty per cent reduction of its portion of subscribed capital, from 1% to 0.5%, and those shares were released to unallocated share capital.

The above share capital is analyzed as follows:

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Authorized share capital	3,450,000	3,450,000
Less: unallocated share capital*	(1,161,500)	(1,161,500)
Subscribed share capital	2,288,500	2,288,500
Less: shares not yet called	(1,601,950)	(1,601,950)
Less: shares payable but not yet due	(98,563)	(107,669)
Less: shares payments past due	-	(2,468)
Paid-up share capital	587,987	576,413
Advance against future call	-	-
Paid-in share capital	**587,987**	**576,413**

* Shares available to new or existing Member States.

Initial Capital

In accordance with paragraph 2 under Article 5 of the Establishing Agreement, the initially authorized capital stock was subscribed by and issued to each Member as follows: 10% (EUR 115 million) fully paid and 20% (EUR 230 million) payable by promissory notes or other obligations which were not negotiable and non interest bearing in eight equal successive annual installments in the years 1998 to 2005.

Capital Increase

The capital increase of EUR 1.150 billion is divided into EUR 345 million paid in capital and EUR 805 million callable capital. Pursuant to the Board of Governors decision in October 2008, the EUR 345 million paid in portion is divided into 10% (EUR 115 million) fully paid shares in 2010 and 20% (EUR 230 million) payable shares by promissory notes or other obligation issued by members in eight equal successive annual installments in the years 2011 to 2018. As of October 2011, the capital increase was reduced by EUR 11.5 million of the subscribed share capital, due to an approved reduction by the Board of Governors in participation by Moldova.

The initial and capital increase that was issued is analyzed as follows:

	At 30 June 2016		
Presented in EUR (000)	Initial capital	Capital increase	**Total**
Authorized share capital	1,150,000	2,300,000	**3,450,000**
Less: unallocated share capital	(34,500)	(1,127,000)	**(1,161,500)**
Subscribed share capital	1,115,500	1,173,000	**2,288,500**
Less: shares not yet called	(780,850)	(821,100)	**(1,601,950)**
Less: shares payable but not yet due	-	(98,563)	**(98,563)**
Less: shares payments past due	-	-	**-**
Paid-up share capital	334,650	253,337	**587,987**
Advance against future call	40	(40)	**-**
Paid-in share capital	**334,690**	**253,297**	**587,987**

Statement of Subscriptions

A statement of capital subscriptions illustrating the number of shares and the amount subscribed by each member is shown below, including their respective callable, payable and the amount paid. The capital subscription status at the current financial position date is analyzed as follows:

		Subscribed	Callable	Payable	Paid
Member	Shares	Presented in EUR (000)			
Albania	40,000	46,000	32,200	3,945	9,855
Armenia	20,000	23,000	16,100	575	6,325
Azerbaijan	100,000	115,000	80,500	2,875	31,625
Bulgaria	270,000	310,500	217,350	7,763	85,387
Georgia	10,000	11,500	8,050	-	3,450
Greece	330,000	379,500	265,650	14,231	99,619
Moldova	10,000	11,500	8,050	-	3,450
Romania	280,000	322,000	225,400	12,506	84,094
Russian Fed.	330,000	379,500	265,650	9,488	104,362
Turkey	330,000	379,500	265,650	14,231	99,619
Ukraine	270,000	310,500	217,350	32,949	60,201
Total	**1,990,000**	**2,288,500**	**1,601,950**	**98,563**	**587,987**

23. RESERVES

Reserves are analyzed as follows:

Presented in EUR (000)	General	Available-for-sale	Other	Total
At 31 December 2014	49,251	24,842	(2,704)	71,389
Gains (losses) on revaluation of available-for-sale	-	(24,703)	-	(24,703)
Remeasurements of defined benefit scheme	-	-	2,360	2,360
Transferred from retained earnings	4,404	-	-	4,404
At 31 December 2015	53,655	139	(344)	53,450
Gains (losses) on revaluation of available-for-sale	-	(4,300)	-	(4,300)
At 30 June 2016	**53,655**	**(4,161)**	**(344)**	**49,150**

The Bank's general reserve is maintained for meeting any unforeseeable risks or contingencies that do not qualify as provisions for impairment and is normally built-up from those released impairment charges during the year.

24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analyzed as follows:

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Cash on hand	7	1
Investments maturing up to 1 month:		
Bank balances	90,815	49,744
Available-for-sale portfolio	152,048	124,299
Investment maturing from 1 month to 3 months:		
Available-for-sale portfolio	120,074	15,000
Cash and cash equivalents	**362,944**	**189,044**

The commercial papers held in the Bank's portfolio and issued by other financial institutions were short term rated at a minimum of A2 by Standard and Poor's or P2 by Moody's, in accordance with internal financial policies.

25 EMPLOYEE BENEFITS

Under the Defined Benefit Scheme

If separated at or after the normal retirement age (60 years old), a staff member will be entitled to a full immediate pension equal to 1% of his annual pensionable salary (i.e. average of the two best out of the last five years) multiplied by his/her years of service at the Bank. If separated at or after the early retirement age (55 years old), as staff member will be entitled to a reduced immediate pension, or deferred pension payable from any month until the staff member's normal retirement age. If separated before the early retirement age, a staff member will be entitled to a deferred pension payable from any month between the staff member's early and normal retirement age. Upon separation at any age, a staff member will have a choice between the appropriate type of pension and a lump sum termination benefit.

A qualified actuary performs an actuarial valuation of this scheme at each end of year using the projected unit method, which is rolled forward to the following year accounts. The most recent valuation date was 31 December 2015. The present value of the defined benefit obligation and current service cost was calculated using the projected unit credit method.

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Amounts recognized in the statement of financial position		
Present value of the defined benefit obligations	19,879	19,879
Fair value of plan assets	(19,067)	(18,696)
Net liability at end of the period	**812**	**1,183**
Amounts recognized in the income statement		
Service cost	858	1,843
Net interest on the net defined benefit liability/(asset)	9	96
Administration expense	27	54
Total included in personnel expenses	**894**	**1,993**
Remeasurements recognized in other comprehensive income		
At 31 December	(3,931)	(6,291)
Liability gain (loss) due to changes in assumptions	-	1,822
Liability experiences gain (loss) arising during the year	-	127
Return on plan assets excluding income statement amounts	-	411
Total amount recognized during the year	-	2,360
Cumulative in other comprehensive income (expense)	**(3,931)**	**(3,931)**
Principal actuarial assumptions used		
Discount rate	2.71%	2.71%
Expected return on plan assets	2.71%	2.71%
Future salary increase	2.00%	2.00%
Future pension increase	2.00%	2.00%
Average remaining working life of employees	13 years	13 years

The discount rate arises from the yield curves that use data from double A-rated iBoxx bond indices produced by the International Index Company.

The expected return on assets as per provision of the revised IAS 19, has been set equal to the discount rate assumption, i.e. at 2.71% pa.

The following table presents the major categories and reconciliation of the plan assets:

Presented in EUR (000)	At 30 June 2016	At 31 December 2015
Major categories of plan assets		
Cash instruments	7%	7%
Fixed interest	50%	50%
Equities	33%	33%
Other	10%	10%
Reconciliation of plan assets		
Market value at 1 January	18,696	15,657
Expected return	185	371
Contributions paid	876	3,114
Benefit pensions and lump sum paid to pensioners	-	(803)
Expenses	(27)	(54)
Asset gain (loss)	(663)	411
Fair value of plan assets	**19,067**	**18,696**

The actual investment return on assets of the Fund for the period was 5.5%. The expected return on plan assets has been based on asset structure allowed by the Fund as well as the yield of high quality corporate bonds. The Bank estimate of contributions to be paid remaining in 2016 will not materially differ from those paid in the current period.

The funding status at period end and at the end of the last four years was as follows:

Presented in EUR (000)	2016	2015	2014	2013	2012
Defined benefit obligations	19,879	19,879	20,321	13,879	12,381
Plan assets	(19,067)	(18,696)	(15,657)	(13,758)	(9,382)
Plan deficit (surplus)	812	1,183	4,664	121	2,999
Net experience adjustments on plan liabilities (assets)	**(911)**	**(1,822)**	**5,624**	**(443)**	**2,706**

Under the Defined Contribution Scheme

Upon separation, a staff member will be entitled to receive in cash the full balance standing to the credit of his/her individual account for the second and third pillars. The pension expense under this scheme was EUR 478 thousand (30 June 2015: EUR 456 thousand) and is included in “Personnel expenses”.

Under the Greek State Social Insurance Fund

The pension expense of staff that is alternatively entitled to retirement benefits from this fund was EUR 16 thousand (30 June 2015: EUR 17 thousand) and is included in “Personnel expense”.

26 OPERATING LEASES

The Bank has entered into lease contracts for its Headquarters and other premises. These are operating leases and include renewal options and periodic escalation clauses. There is no commitment at end of year for non-cancellable lease contracts. Rental expenses for the period included in “Other administrative expenses” totaled EUR 350 thousand (30 June 2015: EUR 350 thousand).

27 RELATED PARTIES

The Bank has the below related parties.

Key Management Personnel

Key management personnel comprise: the President, Vice Presidents and Secretary General. They are entitled to a staff compensation package that includes a salary, covered by medical insurance, participate in the Bank's retirement schemes and are eligible to receive other short term benefits. The amounts paid to key management personnel during the period were EUR 634 thousand (2015: EUR 702 thousand). Key management personnel may receive post-employment benefits, other long-term benefits and termination benefits, but do not receive any share based payments.

The members of the Board of Directors are not personnel of the Bank and do not receive any fixed term salaries nor any staff benefits. The governments of the Member States are not related parties.