BLACK SEA TRADE AND DEVELOPMENT BANK

Condensed Interim Financial Statements for the Six Months Period Ended 30 June 2019

Together with Auditors' Review Report

Deloitte

Independent Auditors' Report on Review of Condensed Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Black Sea Trade and Development Bank (the "Bank") as of 30 June 2019 and the related condensed statements of income and other comprehensive income, changes in equity and cash flows for the six-month period then ended and the selected explanatory notes which comprise the condensed interim financial information. The Bank's management is responsible for the preparation and for presentation of this condensed interim financial information in accordance with the International Financial Reporting Standard and specifically with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte Certified Public Accountants S.A.
Athens, Greece
20 September 2019

CONDENSED INCOME STATEMENT

For the six months period ended 30 June

Presented in thousands of EUR	Note	Six months to 30 June 2019	Six months to 30 June 2018
Interest income	7	42,196	37,686
Interest expense	8	(23,346)	(17,639)
Net interest (expense) on derivatives		(4,293)	(2,902)
Net interest income		**14,557**	**17,145**
Net fees and commissions		473	675
Net gains from equity investments through profit or loss	14	63	445
Net gains (losses) from debt investment securities through OCI		657	(43)
Foreign exchange income (losses)		(232)	(610)
Other (loss) income		-	(2)
Operating income		**15,518**	**17,610**
Personnel expenses	9,22	(8,028)	(7,690)
Other administrative expenses	9	(2,655)	(2,357)
Depreciation and amortization	15,16	(296)	(227)
Income before impairment		**4,539**	**7,336**
Net impairment (losses) on loans at amortized cost	10	(1,227)	(337)
Impairment gains on debt investment securities through OCI	11	30	23
Fair value (losses) on loans through profit or loss	13	(224)	(975)
Fair value gains (losses) on equity investments through profit or loss	14	69	(66)
Net income for the period		**3,187**	**5,981**

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

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months period ended 30 June

Presented in thousands of EUR	Note	Six months to 30 June 2019	Six months to 30 June 2018
Net income for the period		3,187	5,981
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net change in equity investments financial assets		106	(1,240)
Items that are or may be reclassified to profit or loss:			
Net change in investment securities financial assets		8,250	(5,873)
Total comprehensive income (loss) for the period		**11,543**	**(1,132)**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June

Presented in thousands of EUR	Note	At 30 June 2019	At 31 December 2018
Assets			
Cash and cash equivalents		218,167	48,598
Debt investment securities at amortized cost	11	-	49,339
Debt investment securities at fair value through other comprehensive income	11	450,118	346,640
Less: impairment losses	11	(617)	(644)
Debt investment securities net of impairment		449,501	395,335
Derivative financial instruments – assets	12	1,675	662
Loans at amortized cost	13	1,614,297	1,318,418
Less: deferred income	13	(7,358)	(3,052)
Less: impairment losses	10,13	(36,014)	(34,775)
Loans at fair value through profit or loss	13	12,053	12,277
Loans net of impairment		1,582,978	1,292,868
Equity investments at fair value through profit or loss	14	1,084	1,015
Equity investments at fair value through other comprehensive income	14	26,330	26,640
Equity investments at fair value		27,414	27,655
Property and equipment	15	505	455
Intangible assets	16	557	653
Other assets	17	31,313	29,541
Total Assets		**2,312,110**	**1,795,767**
Liabilities			
Borrowings	18	1,461,461	954,030
Derivative financial instruments – liabilities	12	18,769	24,164
Payables and accrued interest	19	17,309	15,973
Total liabilities		1,497,539	994,167
Members' Equity			
Authorized share capital	20	3,450,000	3,450,000
Less: unallocated share capital	20	(1,161,500)	(1,161,500)
Subscribed share capital	20	2,288,500	2,288,500
Less: callable share capital	20	(1,601,950)	(1,601,950)
Less: payable share capital	20	-	-
Less: payable share capital past due	20	-	(1,428)
Paid-in share capital		686,550	685,122
Reserves	21	41,313	32,957
Retained earnings		86,708	83,521
Total members' equity		814,571	801,600
Total Liabilities and Members' Equity		**2,312,110**	**1,795,767**
Off-balance-sheet items			
Commitments		295,400	252,801

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

CONDENSED STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the six months period ended 30 June

Presented in thousands EUR	Share capital					
	Subscribed	Callable	Payable	Reserves	Retained Earnings	Total
At 31 December 2017	**2,288,500**	**(1,601,950)**	**(44,984)**	**33,583**	**83,521**	**758,670**
Total comprehensive income						
Net income for the year	-	-	-	-	5,176	5,176
Other comprehensive income						
Fair value reserve (financial assets)	-	-	-	(8,216)	-	(8,216)
Remeasurement of defined benefit liability (asset)	-	-	-	2,414	-	2,414
Total comprehensive income	-	-	-	(5,802)	5,176	(626)
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	43,556	-	-	43,556
Transfer to general reserve	-	-	-	5,176	(5,176)	-
Total contributions and Distributions	-	-	43,556	5,176	(5,176)	43,556
At 31 December 2018	**2,288,500**	**(1,601,950)**	**(1,428)**	**32,957**	**83,521**	**801,600**
Total comprehensive income						
Net income for the period	-	-	-	-	3,187	3,187
Other comprehensive income						
Fair value reserve (financial assets)	-	-	-	8,356	-	8,356
Total comprehensive income	-	-	-	8,356	3,187	11,543
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	1,428	-	-	1,428
Total contributions and distributions	-	-	1,428	-	-	1,428
At 30 June 2019	**2,288,500**	**(1,601,950)**	**-**	**41,313**	**86,708**	**814,571**

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

CONDENSED STATEMENT OF CASH FLOWS

For the six months period ended 30 June

Presented in thousands of EUR	Note	Six months to 30 June 2019	Six months to 30 June 2018
Cash flows from operating activities			
Net income for the period		3,187	5,981
Adjustment for:			
Depreciation and amortization	15,16	296	227
Impairment losses	10,11	1,197	314
Fair value losses on loans at FVTPL	13	224	975
Fair value (gains) losses on equity investments at FVTPL	14	(69)	66
Net interest income		(14,557)	(17,145)
Foreign exchange adjustment on provisions	10	12	631
Operating (loss) before changes in operating assets		(9,710)	(8,951)
Changes in:			
Derivative financial instruments	12	(6,408)	9,289
Other assets	17	(989)	167
Accounts payable	19	(72)	151
Deferred income	13	4,306	(1,813)
Fair value movements		8,356	(7,113)
Cash generated from operations		(4,517)	(8,270)
Proceeds from repayment of loans	13	104,867	162,508
Proceeds from repayment of equity investments		624	567
Funds advanced for loans	13	(401,641)	(216,895)
Funds advanced for equity investments		(207)	(242)
Foreign exchange and other adjustments		943	(5,633)
Interest income received		41,413	34,826
Interest expense paid		(21,938)	(19,817)
Net cash from / (used in) operating activities		(280,456)	(52,956)
Cash flows from investing activities			
Proceeds from investment securities at FVTOCI		403,522	177,178
Purchase of investment securities at FVTOCI		(351,351)	(200,542)
Purchase of property, software and equipment	15,16	(254)	(217)
Net cash from / (used in) investing activities		51,917	(23,581)
Cash flows from financing activities			
Proceeds received from share capital	20	1,428	29,603
Proceeds from borrowings	18	752,115	139,500
Repayments of borrowings	18	(244,684)	(74,527)
Net cash from / (used in) financing activities		508,859	94,576
Net increase in cash and cash equivalents		**280,320**	**18,039**
Cash and cash equivalents at beginning of year		172,253	196,481
Cash and cash equivalents at end of period		**452,573**	**214,520**

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. ESTABLISHMENT OF THE BANK

Agreement Establishing the Bank

Black Sea Trade and Development Bank ("the Bank"), whose headquarters are 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 the Bank is well placed to mobilize financial resources and to improve access to financing for businesses active in the whole Black Sea region as well as 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 customers.

As at financial position date the Bank's shareholders comprised of the following 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 interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as published by the International Accounting Standards Board ("IASB"), and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2018 ("last annual financial statements"). They do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements.

These interim financial statements for the six months period ended 2019 were approved by the Management Committee, and further submitted to the Board of Directors ("BoD") in their meeting on 20 September 2019 for their information.

Basis of Measurement

The financial statements have been prepared on a historical cost basis except for certain 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.

Notes to the Condensed Interim Financial Statements

Judgments and Assumptions

The preparation of the financial statements in accordance 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.

The significant judgments made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2018.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year 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

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements, after taking into account the following new standards and amendments to standards which were issued by the International Accounting Standards Board (IASB), applied on 1.1.2019:

Amendment to International Financial Reporting Standard 9 "Financial Instruments": Prepayment Features with Negative Compensation. On 12.10.2017 the International Accounting Standards Board issued an amendment to IFRS 9 that permits some prepayable financial assets with negative compensation features, that would otherwise been measured at fair value through profit or loss, to be measured at amortized cost or at fair value through other comprehensive income. The amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The adoption of the above amendment had no impact on the financial statements of the Bank.

International Financial Reporting Standard 16 "Leases" On 13.1.2016 the International Accounting Standards Board issued IFRS 16 "Leases" which supersedes:

- IAS 17 "Leases"
- IFRIC 4 "Determining whether an arrangement contains a lease"
- SIC 15 "Operating Leases – Incentives" and
- SIC 27 "Evaluating the substance of transactions involving the legal form of a lease".

The new standard significantly differentiates the accounting of leases for lessees while essentially maintaining the existing requirements of IAS 17 for the lessors. In particular, under the new requirements, the classification of leases as either operating or finance is eliminated. A lessee is required to recognize, for all leases with term of more than 12 months, the right-of-use asset as well as the corresponding obligation to pay the lease payments. The above treatment is not required when the asset is of low value. At initial recognition, the right-of-use asset comprises the amount of the initial measurement of the lease liability, any initial direct costs, any lease payments made before the commencement date as well as an estimate of dismantling costs.

The impact of applying IFRS 16 is not significant as the Bank is not exposed to material long term leases.

Amendments to International Accounting Standard 19 "Employee Benefits": Plan Amendment, Curtailment or Settlement (Regulation 2019/402/13.3.2019) On 7.2.2018 the International Accounting Standards Board issued an amendment to IAS 19 with which it specified how companies determine pension expenses when changes to a defined benefit pension plan occur. In case that an amendment, curtailment or settlement takes place IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments to IAS 19 require specifically a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, the amendment to IAS 19 clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The adoption of the above amendment had no impact on the financial statements of the Bank.

Amendment to International Accounting Standard 28 "Investments in Associates": Long-term Interests in Associates and Joint Ventures. On 12.10.2017 the International Accounting Standards Board issued an amendment to IAS 28 to clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture —to which the equity method is not applied—should be accounted using IFRS 9, including its impairment requirements. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The adoption of the above amendment had no impact on the financial statements of the Bank.

Improvements to International Accounting Standards – cycle 2015-2017 As part of the annual improvements project, the International Accounting Standards Board issued, on 12.12.2017, non- urgent but necessary amendments to various standards.

The adoption of the above amendments had no impact on the financial statements of the Bank.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (Regulation 2018/1595/23.10.2018) On 7.6.2017 the International Accounting Standards Board issued IFRIC 23. The Interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Interpretation specifically clarifies the following:

- An entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.
- The estimations for the examination by taxation authorities shall be based on the fact that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. • For the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity shall reassess an estimate if the facts and circumstances change or as a result of new information.

The adoption of IFRIC 23 had no impact on the financial statements of the Bank.

Notes to the Condensed Interim Financial Statements

Foreign Currencies

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 2019	31 December 2018	30 June 2018
	=	United States dollar	1.13800	1.14500	1.16580
	=	Pound sterling	0.89655	0.89453	0.88605
	=	Russian ruble	71.59750	79.71530	73.15820
1 EUR	=	Azerbaijan manat	1.93180	1.94680	1.98140
	=	Georgian lari	3.27580	3.07010	2.84390
	=	Armenian dram	543.19000	553.65000	561.81000
	=	Romanian leu	4.73430	4.66350	-

Standard Issued But Not Yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted.

The Bank has no updates to the information provided in the last annual financial statements about the standards issued but not yet effective. The Bank anticipates no material impact as a result of adopting such standards.

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:

a. 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 set out in the annual financial statements and further explained in the relevant risk management section of this document. Provisions for loans that have an expected credit loss of 12-month amounted to EUR 3,341 thousand and those loans that have an expected lifetime credit loss but that are not credit impaired amounted to EUR 5,619 thousand.

   In determining the above provision amounts the Bank takes into consideration PD (probability of default) and LGD (loss given default) factors extracted from the GEMs data base.

   Furthermore, those loans that have an expected lifetime credit loss and are credit impaired amounted to EUR 27,054 thousand. These 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 interest rate to reach a net present value for a particular operation, less any collateral that can be realized.

b. 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 "Employee benefits" set out in the annual financial statements. 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 such as the EUR and USD. The Bank's liability to the staff retirement plan at the financial position date was EUR 3,971 thousand.

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

5. RISK MANAGEMENT

Classification and Fair Value

a) Classification

All loans are classified as "at amortized cost", except for those loans classified as "at fair value through profit or loss (FVTPL)" that do not meet the solely payments of principal and interest (therefore had not passed the SPPI test) as determined by the Bank.

Investment securities classified as "at fair value through other comprehensive income (FVTOCI)" include government and corporate bonds and Euro Commercial Paper, and their fair value has been determined using quoted prices.

Equity investments classified as "at fair value through profit or loss (FVTPL)" include investments that are quoted on an exchange or those elected having their fair value based on cash outflows and inflows. Equity investments classified as "at fair value through other comprehensive income (FVTOCI)" 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 their 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 2019		
Presented in EUR (000)	Fair value through profit or loss (mandatory)	Amortized cost	**Carrying amount**
Assets			
Cash and bank balances	-	218,167	**218,167**
Debt investment securities	-	-	**-**
Loans	12,053	1,614,297	**1,626,350**
Deferred income	-	(7,358)	**(7,358)**
Impairment losses on loans	-	(36,014)	**(36,014)**
Other assets	-	31,313	**31,313**
Total financial assets	**12,053**	**1,820,405**	**1,832,458**
Liabilities			
Borrowings	-	1,461,461	**1,461,461**
Payables and accrued interest	-	17,309	**17,309**
Total financial liabilities	**-**	**1,478,770**	**1,478,770**

	At 31 December 2018		
Presented in EUR (000)	Fair value through profit or loss (mandatory)	Amortized cost	**Carrying amount**
Assets			
Cash and bank balances	-	48,598	**48,598**
Debt investment securities	-	49,339	**49,339**
Loans	12,277	1,318,418	**1,330,695**
Deferred income	-	(3,052)	**(3,052)**
Impairment losses on loans	-	(34,775)	**(34,775)**
Other assets	-	29,541	**29,541**
Total financial assets	**12,277**	**1,408,069**	**1,420,346**
Liabilities			
Borrowings	-	954,030	**954,030**
Payables and accrued interest	-	15,973	**15,973**
Total financial liabilities	**-**	**970,003**	**970,003**

c) Fair value hierarchy

For those above financial instruments measured at fair value, the Bank 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	-	1,675	-	**1,675**
Fair value through profit or loss:				
Loans	-	-	12,053	**12,053**
Equity investments	-	-	1,084	**1,084**
Fair value through other comprehensive income:				
Debt investment securities	450,118			**450,118**
Equity investments	-		26,330	**26,330**
Derivative financial instruments – liabilities	-	(18,769)	-	**(18,769)**
At 30 June 2019	**450,118**	**(17,094)**	**39,467**	**472,491**

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	-	662	-	**662**
Fair value through profit or loss:				
Loans	-	-	12,277	**12,277**
Equity investments	-	-	1,015	**1,015**
Fair value through other comprehensive income:				
Debt investment securities	346,640			**346,640**
Equity investments	-		26,640	**26,640**
Derivative financial instruments – liabilities	-	(24,164)	-	**(24,164)**
At 31 December 2018	**346,640**	**(23,502)**	**39,932**	**363,070**

Notes to the Condensed Interim Financial Statements

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 2019	At 31 December 2018
At 1 January	27,655	31,361
Total gains or (losses) recognized in the income statement	69	(585)
Total gains or (losses) recognized in other comprehensive income	106	713
Purchases, sales, issues and settlements	(416)	(3,834)
At end of period	**27,414**	**27,655**

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	27,414	1,371	(1,371)

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 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 36th 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 2.4 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 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, liquidity and interest rate risks.

	30 June 2019			30 June 2018		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Income statement						
Interest income	35,985	6,211	42,196	34,061	3,625	37,686
Net fees and commissions	473	-	473	675	-	675
Other income (expense)	63	657	720	443	(43)	400
Total segment revenues	36,521	6,868	43,389	35,179	3,582	38,761
Less: interest expense	(23,131)	(215)	(23,346)	(17,402)	(237)	(17,639)
Less: net interest expense on derivatives	-	(4,293)	(4,293)	-	(2,902)	(2,902)
Foreign exchange	-	(232)	(232)	-	(610)	(610)
Less: personnel and other admin. expenses	(9,734)	(949)	(10,683)	(9,320)	(727)	(10,047)
Less: depreciation and amortization	(291)	(5)	(296)	(222)	(5)	(227)
Segment income before impairment	3,365	1,174	4,539	8,235	(899)	7,336
Less: impairment / fair value (losses) gains	(1,382)	30	(1,352)	(1,378)	23	(1,355)
Net income for the period	**1,983**	**1,204**	**3,187**	**6,857**	**(876)**	**5,981**

	30 June 2019			31 December 2018		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Financial position						
Segment assets	1,642,767	669,343	2,312,110	1,351,172	444,595	1,795,767
At end of period			**2,312,110**			**1,795,767**
Segment liabilities	1,478,770	18,769	1,497,539	970,003	24,164	994,167
Members' equity	-	-	814,571	-	-	801,600
At end of period			**2,312,110**			**1,795,767**

Notes to the Condensed Interim Financial Statements

7. INTEREST INCOME

Interest and similar income is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2019	Six months to 30 June 2018
From loans and advances	35,985	34,061
From placements with financial institutions	13	16
From investment securities at fair value through OCI	6,198	3,609
Interest income	**42,196**	**37,686**

8. INTEREST EXPENSE

Interest and similar expense is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2019	Six months to 30 June 2018
From borrowed funds	3,966	3,162
From issued debt	18,619	13,589
From amortized issuance and arrangement costs	546	651
From other charges	215	237
Interest expense	**23,346**	**17,639**

9. PERSONNEL AND OTHER ADMINISTRATIVE EXPENSES

Administrative expenses are analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2019	Six months to 30 June 2018
Salaries and benefits	6,560	6,062
Staff retirement plans	1,468	1,628
Personnel expenses	**8,028**	**7,690**

Professional fees and related expenses	858	584
Utilities and maintenance	713	711
Other administrative	1,084	1,062
Other administrative expenses	**2,655**	**2,357**

The average number of staff employed during the period 111 (respective period 2018: 111). The number of staff at 30 June 2019 was 112 (30 June 2018: 110). Further analysis of the staff retirement plan is presented in the Note “Employee benefits”.

10. IMPAIRMENT LOSSES ON LOANS

Loans that are measured at amortized cost are stated net of provisions for impairment, which includes also their related provisions for impairment on undrawn commitments. A summary of the movements in provisions for impairment were as follows:

Presented in EUR (000)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2017	1,453	1,088	45,455	47,996
Charge	3,284	3,239	7,221	13,744
Release	(1,656)	(2,608)	(3,188)	(7,452)
Against write-offs	-	-	(20,586)	(20,586)
Foreign exchange adjustments	439	2,555	(1,921)	1,073
At 31 December 2018	3,520	4,274	26,981	34,775
Charge	-	1,701	262	1,963
Release	(141)	(372)	(223)	(736)
Against write-offs	-	-	-	-
Foreign exchange adjustments	(38)	16	34	12
At 30 June 2019	**3,341**	**5,619**	**27,054**	**36,014**

At each reporting date, the Bank recognizes loss allowances based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant movement in credit risk on the financial instrument since its initial recognition.

Staging Criteria 12-month ECL (Stage 1)

As IFRS 9 does not distinguish between individually significant or not individually significant financial instruments, the Bank measures potential credit losses for all non-impaired operations (Stage 1 and Stage 2) on an individual operation basis based on the asset class. Their PD and LGD are multiplied by general market scenarios assigned within the Moody's Analytics IFRS ImpairmentCalc tool. Provisions for impairment in Stage 1 are therefore affected by specifics of any particular operation together by general market scenarios. They are meant to protect against potential risks that are considered present, or within a 12-month horizon, and derived from potentially adverse developments in operating conditions beyond the control of individual borrowers.

Staging Criteria lifetime ECL (Stages 2 and 3)

When an operation deteriorates substantially in credit quality, it enters Stage 2 and an expected credit loss calculation is performed on a Lifetime Expected Credit Loss (LECL) basis. Stage 2 operations are those that have experienced an overall credit quality downgrade but are still performing. They are not considered credit impaired.

Stage 3 operations have objective evidence of impairment that immediately impacts the ECL.

Revolving facilities and undrawn commitments

Revolving credit facilities have no fixed term and they can be cancelled at the discretion of the Bank at any point in time. These facilities are subject to, at a minimum, an annual credit review. In this regard, the date of the latest credit review provides the relevant date to assess if there is any increase in credit risk, as at that point in time. The Bank may amend the terms and conditions of the exposure.

The estimate of the expected credit losses on irrevocable loan commitments is consistent with its expectations of drawdowns on that loan commitment. Therefore, the Bank considered (i) the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses and (ii) the expected portion of the loan commitment that will be drawn down over the expected life of the reporting date when estimating lifetime expected credit losses. At 30 June 2019 the amount of expected credit losses on irrevocable loan commitments was EUR 283 thousand.

11. DEBT INVESTMENT SECURITIES

Debt investment securities are analyzed as follows:

Presented in EUR (000)	At 30 June 2019	At 31 December 2018
Bonds	215,712	282,311
Commercial papers	234,406	113,668
Debt investment securities	450,118	395,979
Less: impairment losses	(617)	(644)
Debt investment securities net of impairment	**449,501**	**395,335**

At each reporting date, the Bank recognizes loss allowances based on either 12-month ECL or lifetime ECL. All debt investment securities are recognized only on a 12-month ECL as there has been no significant movement in credit risk since their initial recognition.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the Bank's outstanding forward foreign exchange contracts.

	At 30 June 2019			At 31 December 2018		
Presented in EUR (000)	Notional amount	Fair value		Notional Amount	Fair Value	
		Assets	liabilities		assets	Liabilities
Currency swap purchases	17,523	-	17,523	33,012	-	33,019
Currency swap sales	(17,590)	-	(17,541)	(33,569)	-	(33,569)
Designated fair value hedges	-	1,675	(18,751)	-	662	(23,614)
Derivative financial instruments	**(67)**	**1,675**	**(18,769)**	**(557)**	**662**	**(24,164)**

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.

13. 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 2019	At 31 December 2018
Loans at amortized cost:		
At 1 January	1,318,418	1,132,359
Disbursements	401,641	572,966
Less: repayments	(104,867)	(377,988)
Disposal	-	-
Write-offs	-	(20,586)
Foreign exchange movements	(895)	11,667
Outstanding disbursements	1,614,297	1,318,418
Less: deferred income	(7,358)	(3,052)
Less: impairment losses	(36,014)	(34,775)
Loans at fair value:		
Outstanding disbursements	14,939	14,939
Fair value adjustment	(2,886)	(2,662)
Loans net of impairment	**1,582,978**	**1,292,868**

At 30 June 2019 the principal amount of outstanding disbursements was EUR 1,629,236 thousand (2018: EUR 1,333,357 thousand).

During the period the Bank did not have restructured loans.

The carrying amount of loans with respect to their related stages and allowance for impairment is analyzed as follows:

Presented in EUR (000)	At 30 June 2019	At 31 December 2018
Stage 1	1,254,420	1,050,830
Less: deferred income	(7,358)	(3,052)
Less: allowance for impairment	(3,341)	(3,520)
Carrying amount	1,243,721	1,044,258
Stage 2	318,166	225,851
Less: allowance for impairment	(5,619)	(4,274)
Carrying amount	312,547	221,577
Stage 3	41,711	41,737
Less: allowance for impairment	(27,054)	(26,981)
Carrying amount	14,657	14,756
Fair value through profit or loss	12,053	12,277
Carrying amount	**1,582,978**	**1,292,868**

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.

14. 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 2019		At 31 December 2018	
Presented in EUR (000)	% participation	Cost	Fair value	Cost	Fair value
Balkan Accession Fund	9.09	-	1,084	-	1,015
At fair value through profit or loss		-	1,084	-	1,015
SEAF Caucasus Growth Fund	21.39	5,292	4,250	5,488	4,289
Access Bank, Azerbaijan	0.06	14,873	-	14,759	-
A-Park Kaluga, Russia	19.99	1,714	340	1,714	340
Emerging Europe Accession Fund	10.14	2,312	5,909	2,303	5,981
Rusal	0.01	4	153	4	123
ADM Ceecat Recovery Fund	5.41	5,042	5,676	4,988	5,652
European Virgin Fund	21.05	8,037	10,002	8,264	10,255
Teamnet International	8.33	5,599	-	5,599	-
Natfood	0.01	-	-	-	-
EOS Hellenic Renaissance Fund	2.95	75	-	47	-
At fair value through other comprehensive income		42,948	26,330	43,166	26,640
Equity investments at fair value		**42,948**	**27,414**	**43,166**	**27,655**

The valuation of such investments, which are unlisted, has been estimated using the most recent management accounts or the latest audited accounts as of 30 June 2019, as Management considers that these are 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.

During the period the Bank had realized a net income of EUR 63 thousand from its investment in the Balkan Accession Fund.

On disposal or exit of an equity investment for those at fair value through other comprehensive income, the cumulative gain or loss is accounted for with a corresponding reversal of the unrealized gain or loss that was recorded prior to the exit from that investment, it is not recycled to the income statement.

As of 30 June 2019 the Bank has a committed amount of EUR 8,488 thousand towards participation in the above entities in the future.

As at 30 June 2019 the Bank has two 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.

15. PROPERTY AND EQUIPMENT

Property and equipment as at 30 June 2019 amounted to EUR 3,294 thousand with accumulated depreciation of EUR 2,789 thousand and net book value of EUR 505 thousand.

16. INTANGIBLE ASSETS

Intangible assets comprising computer software as at 30 June 2019 amounted to EUR 4,633 thousand with accumulated amortization of EUR 4,076 thousand and net book value of EUR 557 thousand.

17. OTHER ASSETS

Other assets are analyzed as follows:

Presented in EUR (000)	At 30 June 2019	At 31 December 2018
Accrued interest	20,952	20,169
Advances and prepaid expenses	5,104	5,690
Other prepayments	-	187
Guarantee deposits	5,257	3,495
Other assets	**31,313**	**29,541**

18. BORROWINGS

Borrowing facilities and bond issuance, arranged as at the financial position date, are analyzed below. In addition to medium or long-term borrowings and bond issuance, the Bank utilizes short-term financing in the form of European Commercial Papers (ECP) issuance or borrowings from commercial banks for cash management purposes. At 30 June 2019 the Bank had issued debt securities in the amount of EUR 1,187,261 thousand.

	At 30 June 2019		At 31 December 2018	
Presented in EUR (000)	Amount Used	Amount arranged	Amount Used	Amount arranged
Euro	173,394	175,394	126,794	146,794
United States dollar	1,030,505	1,030,505	595,473	595,473
Swiss franc	90,125	90,125	88,860	88,860
Romanian lei	82,856	82,856	56,227	56,227
Georgian lari	80,896	80,896	83,059	83,059
Armenian dram	3,685	3,685	3,617	3,617
Total	**1,461,461**	**1,463,461**	**954,030**	**974,030**

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

19. PAYABLES AND ACCRUED INTEREST

Payables and accrued interest is analyzed as follows:

Presented in EUR (000)	At 30 June 2019	At 31 December 2018
Accrued interest	11,903	10,495
Social insurance fund (IKA) contributions	2	4
Pension plan obligation	3,971	3,971
Suppliers and other accrued expenses	1,374	1,444
Other	59	59
Payables and accrued interest	**17,309**	**15,973**

20. SHARE CAPITAL

The share capital is analyzed as follows:

Presented in EUR (000)	At 30 June 2019	At 31 December 2018
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	-	-
Less: shares payable that are past due	-	(1,428)
Paid-up share capital	685,550	685,122
Advance against future call	-	-
Paid-in share capital	**685,550**	**685,122**

* Shares available to new or existing Member States.

21. RESERVES

Total reserves are EUR 41,313 thousand and analyzed as general reserve of EUR 66,050 thousand, other comprehensive income reserve of EUR (24,017) thousand and other reserves of EUR (720) thousand.

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.

22. EMPLOYEE BENEFITS

Under the defined benefit scheme the net liability at the end of the period was EUR 3,971 thousand (2018 EUR 3,971 thousand) and the amount included in personnel expenses for the period was EUR 936 thousand (30 June 2018: EUR 1,112 thousand).

Under the defined contribution scheme the amount included in personnel expenses for the period was EUR 523 thousand (30 June 2018: EUR 508 thousand), and under the Greek state social insurance fund was EUR 9 thousand (30 June 2018: EUR 8 thousand).

23. RELATED PARTIES

The Bank has the following 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, participation 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 1,005 thousand (2018: EUR 611 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.