BLACK SEA TRADE AND DEVELOPMENT BANK

Condensed Interim Financial Statements for the Six Months Period Ended 30 June 2020

Together with Auditors' Review Report

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Report on Review of Interim Financial Information

To the Board of Directors and Governors of Black Sea Trade and Development Bank

Introduction

We have reviewed the accompanying condensed Statement of Financial Position of Black Sea Trade and Development Bank as of June 30, 2020 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. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards 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 International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Athens, 18 September 2020

Deloitte

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CONDENSED INCOME STATEMENT

For the six months period ended 30 June

Presented in thousands of EUR	Note	Six months to 30 June 2020	Six months to 30 June 2019
Interest income	7	50,536	42,196
Interest expense	8	(31,634)	(23,346)
Net interest income (expense) on derivatives		2,030	(4,293)
Net interest income		**20,932**	**14,557**
Net fees and commissions		836	473
Dividend income	14	164	-
Net gains from equity investments through profit or loss		50	63
Net gains (losses) from debt investment securities through OCI		(1,357)	657
Foreign exchange income (losses)		(188)	(232)
Operating income		**20,437**	**15,518**
Personnel expenses	9,22	(8,212)	(8,028)
Administrative expenses	9	(1,943)	(2,655)
Depreciation and amortization	16,17	(278)	(296)
Income before impairment		**10,004**	**4,539**
Impairment (losses) on loans at amortized cost	10	(5,383)	(1,227)
Impairment (losses) gains on debt investment securities through OCI	11	(294)	30
Fair value gains (losses) on loans through profit or loss	13	33	(224)
Fair value gains (losses) on equity investments through profit or loss	14	-	69
Net income for the period		**4,360**	**3,187**

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 2020	Six months to 30 June 2019
Net income for the period		4,360	3,187
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Gains (losses) on equity investments financial assets		(2,103)	106
Items that are or may be reclassified subsequently to profit or loss:			
Gains (losses) on investment securities financial assets		(2,500)	8,250
Other comprehensive income (expense)		(4,603)	8,356
Total comprehensive (loss) income		**(243)**	**11,543**

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 2020	At 31 December 2019
Assets			
Cash and due from banks		107,450	82,621
Debt investment securities at fair value through other comprehensive income	11	376,799	420,591
Less: impairment losses	11	(1,059)	(765)
Debt investment securities net		375,740	419,826
Derivative financial instruments – assets	12	37,610	3,128
Loans at amortized cost	13	1,930,826	1,808,187
Less: deferred income	13	(11,015)	(8,170)
Less: impairment losses	10	(48,827)	(43,314)
Loans at fair value through profit or loss	13	12,787	12,754
Loans net of impairment		1,883,771	1,769,457
Equity investments at fair value through profit or loss	14	798	798
Equity investments at fair value through other comprehensive income	14	27,642	29,588
Equity investments at fair value		28,440	30,386
Other assets	15	38,982	35,853
Property and equipment	16	422	489
Intangible assets	17	365	422
Right of use assets		915	1,255
Total Assets		**2,473,695**	**2,343,437**
Liabilities			
Borrowings			
Amounts due to banks	18	217,417	246,437
Debts evidenced by certificates	18	1,367,922	1,238,718
Derivative financial instruments – liabilities	12	37,109	6,552
Payables and accrued interest	19	20,362	20,262
Lease liability		719	1,059
Total liabilities		1,643,529	1,513,028
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)
Paid-in share capital		686,550	686,550
Reserves	21	49,406	54,009
Retained earnings		94,210	89,850
Total members' equity		830,166	830,409
Total Liabilities and Members' Equity		**2,473,695**	**2,343,437**
Off-balance-sheet items			
Commitments		238,359	353,496

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 2018	**2,288,500**	**(1,601,950)**	**(1,428)**	**32,957**	**83,521**	**801,600**
Net income for the year	-	-	-	-	13,664	13,664
Other comprehensive income:						
fair value reserve (financial assets)	-	-	-	16,737	-	16,737
remeasurement of defined benefit liability	-	-	-	(3,020)	-	(3,020)
Total comprehensive income	-	-	-	13,717	13,664	27,381
Members' contributions	-	-	1,428	-	-	1,428
Transfer to general reserve	-	-	-	7,335	(7,335)	-
Total contributions	-	-	1,428	7,335	(7,335)	1,428
At 31 December 2019	**2,288,500**	**(1,601,950)**	**-**	**54,009**	**89,850**	**830,409**
Net income for the period	-	-	-	-	4,360	4,360
Other comprehensive income:						
fair value reserve (financial assets)	-	-	-	(4,603)	-	(4,603)
remeasurement of defined benefit liability	-	-	-	-	-	-
Total comprehensive income	-	-	-	(4,603)	4,360	(243)
At 30 June 2020	**2,288,500**	**(1,601,950)**	**-**	**49,406**	**94,210**	**830,166**

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 2020	Six months to 30 June 2019
Cash flows from operating activities			
Net income for the period		4,360	3,187
Adjustment for:			
Depreciation and amortization	16,17	278	296
Impairment losses	10,11	5,677	1,197
Fair value (gains) losses on loans at FVTPL	13	(33)	224
Fair value (gains) losses on equity investments at FVTPL	14	-	(69)
Net interest income		(20,932)	(14,557)
Foreign exchange adjustment on provisions	10	130	12
Operating (loss) before changes in operating assets		(10,520)	(9,710)
Changes in:			
Derivative financial instruments	12	(3,925)	(6,408)
Other assets	15	1,411	(989)
Accounts payable	19	(570)	(72)
Deferred income	13	2,845	4,306
Fair value movements		(4,603)	8,356
Cash generated from operations		(15,362)	(4,517)
Proceeds from repayment of loans	13	163,105	104,867
Proceeds from repayment of equity investments		-	624
Funds advanced for loans	13	(295,955)	(401,641)
Funds advanced for equity investments		(156)	(207)
Foreign exchange and other adjustments		12,280	943
Interest income received		45,996	41,413
Interest expense paid		(31,304)	(21,938)
Net cash from / (used in) operating activities		(121,396)	(280,456)
Cash flows from investing activities			
Proceeds from investment securities at FVTOCI		195,306	403,522
Purchase of investment securities at FVTOCI		(200,981)	(351,351)
Purchase of property, software and equipment		(155)	(254)
Net cash from / (used in) investing activities		(5,830)	51,917
Cash flows from financing activities			
Proceeds received from share capital		-	1,428
Proceeds from borrowings	18	300,762	752,115
Repayments of borrowings	18	(200,578)	(244,684)
Net cash from financing activities		100,184	508,859
Net increase (decrease) in cash and cash equivalents		**(27,042)**	**280,320**
Cash and cash equivalents at beginning of year		285,538	172,253
Cash and cash equivalents at end of period		**258,496**	**452,573**

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

The Black Sea Trade and Development Bank ('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 the establishment of the Bank, the Establishing Agreement came 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 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 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 (all the countries hereafter, 'The Region').

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

2.1 Basis of Preparation

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 2019 ('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 month period ended 30 June 2020 were approved by the Management Committee, and further submitted to the Board of Directors (BoD) in their meeting on 17 September 2020 for their information.

Basis of measurement

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

- Debt investment securities at fair value through other comprehensive income;
- Loans at fair value through profit or loss;
- Equity investments at fair value through profit or loss;
- Equity investments at fair value through other comprehensive income; and
- Derivative financial instruments, which have been measured at fair.

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

IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: impairment of loans-and-receivables, valuation of financial instruments not quoted in active markets, including OTC derivatives and certain debt securities, impairment of investment securities, estimation of retirement benefits obligation, and contingencies from litigation. Actual results in the future may differ from those reported.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the Note 'Use of estimates'.

2.2 Going Concern

The financial statements have been prepared on a going concern basis. This year began with the outbreak of a new strain of Coronavirus (Covid-19) pandemic that was announced by the World Health Organization (WHO) in March 2020 and is expected to negatively impact the economies of the countries that the Bank works with. Following the WHO announcements as well as the measures taken by the respective governments as a response, the Bank has proceeded with the following:

- The Bank has activated the internal Pandemic Response Plan, and staff can move to 'remote working', which may be extended according to how the situation unfolds in the host country. In terms of its everyday operations, the Bank has taken all requisite steps to ensure business continuity, the safety of its staff, and to comply with the emergency measures imposed by the host country.

- The Bank monitors country by country measures taken by each government and their impact on its loan portfolio. It maintains contacts with clients and we will continue with the preparation of projects, but the main focus is the outstanding loan portfolio which is carefully analyzed and regularly reviewed in light of the very rapid developments.

- The Bank closely monitors its liquidity position and is prepared to take short term measures as and if required in order to safeguard its interests and maintain key ratios at comfortable levels. Such measures can include access to short-term borrowings at higher costs than normally accepted, delaying draw downs to operations with customer consent and curtailing administrative expenses as necessary. Additionally, the Bank has reduced undertaking new commitments temporarily, thus commitment levels are expected to remain steady, or even temporarily decline as a result.

- Moreover, the Bank will monitor developments in the financial markets for assessing the impact on its investment portfolio as well as for suitable funding opportunities.

Overall, it is too early to assess how the virus pandemic will affect the Region the Bank operates in, and for how long; however, the Bank has a robust mechanism and process in place to follow up developments and adjust its operations accordingly in order to ensure effective and efficient management of this difficult situation. As the Bank maintains its operational capacity and retains its strong capital and liquidity positions, Management are of the view that the Bank will continue to operate as a going concern for the next 12 months.

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.

The following amendments to IFRSs have been issued by the International Accounting Standards Board (IASB) as of the date of these financial statements were issued and effective from 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards: The new Conceptual Framework does not constitute a substantial revision of the document. IASB focused on topics that were not yet covered or showed obvious shortcomings that needed to be dealt with.

- Amendments to IAS 1 and IAS 8 (Oct 2018) Definition of Material: The amendments clarify the definition of material and align the definition used in the Conceptual Framework and the standards themselves.

- Amendments to IFRS 9, IAS 39 and IFRS 7 (September 2019), Interest Rate Benchmark Reform: The amendment is designed to support the provision of useful financial information during the period of uncertainty arising from the phasing out of interest rate benchmarks, such as interbank offered rates.

- Amendments to IFRS 3 (Oct 2018), Definition of Business: the amendment aims at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The Bank has adopted the aforementioned amendments which did not have a material impact.

3.1 Foreign Currencies

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

			30 June 2020	31 December 2019	30 June 2019
	=	United States dollar	1.119800	1.12340	1.13800
	=	Pound sterling	0.91243	0.85080	0.89655
	=	Russian ruble	79.63000	69.95630	71.59750
1 EUR	=	Azerbaijan manat	1.91050	1.90350	1.93180
	=	Georgian lari	3.44660	3.20950	3.27580
	=	Armenian dram	540.44000	537.26000	543.19000
	=	Romanian leu	4.83970	4.78300	4.73430

4. USE OF ESTIMATES

The preparation of financial statements involves Management in critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense in the Bank's financial statements and accompanying notes. The Bank believes that the critical judgments, estimates and assumptions used in the preparation of the its financial statements are appropriate given the factual circumstances as of the date of preparation. The most significant areas, for which critical judgments, estimates and assumptions are required in applying the Bank's accounting policies, are the following:

a. Provisions for the impairment of Loan operations. The most significant management judgements and accounting estimates relate to:
   - The criteria used for staging assessment of loans and advances to customers.
   - Accounting interpretations, modeling assumptions and data used to build and run the models that calculate the ECL including the estimation of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters.
   - Assumptions for future cashflows of individually assessed credit impaired exposures, including assessment approach and collaterals.
   - The input and assumptions used to estimate the impact of multiple economic scenarios.
   - Post model adjustments made to reflect model and data limitations.

   Provisions for loans at amortized cost amounted to EUR 48,827 thousand versus EUR 43,314 thousand at 31 December 2019. The increase in Expected Credit Loss (ECL) is mainly attributed to the impact of the Covid-19 pandemic, driven by the deteriorating macroeconomic scenarios used for all the member countries. Note 10 describes in more detail the changes in ECL for loans at amortized cost.

   For loans that are individually assessed which have a lifetime ECL and that are credit-impaired, the impairment allowance results 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 original effective interest rate (EIR) to reach a net present value for a particular operation, less any collateral that can be realized. Those loans that have an expected lifetime credit loss and are credit impaired amounted to EUR 36,704 thousand.

   Provisions for impairment of investment securities is assessed collectively, using the same methodology as for loans collective assessment.

   Provisions for impairment are further analyzed in the Notes 'Impairment losses on loans' and 'Debt investment securities'.

b. In reaching estimates of the fair value instruments Management judgment needs to be exercised. Management judgment is required in determining the category to which certain instruments should be allocated. This specifically arises when the valuation is determined by a number of parameters some of which are observable while others are not. The Bank provides a sensitivity analysis of the impact upon the level 3 financial instruments of using a reasonably possible alternative for the unobservable parameter as analyzed in Note 'Sensitivity analysis for level 3'.

5. RISK MANAGEMENT

5.1 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 criteria (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 (ECP), and their fair value has been determined using quoted prices.

Equity investments (financial assets) are classified as at fair value through other comprehensive income (FVTOCI) as on initial recognition the Bank can make an irrevocable election, on an instrument-by-instrument basis, to designate investments in an equity instrument not held for trading nor contingent consideration. Those not elected are measured at FVTPL. Dividends received are recorded in the income statement.

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 2020			
Presented in EUR (000)	Fair value through profit or loss	Fair value through OCI	Amortized cost	**Carrying amount**
Assets				
Cash and bank balances	-	-	107,450	**107,450**
Debt investment securities	-	376,799	-	**376,799**
Loans	12,787	-	1,930,826	**1,943,613**
Deferred income	-	-	(11,015)	**(11,015)**
Impairment losses on loans	-	-	(48,827)	**(48,827)**
Equity investments	798	27,642	-	**28,440**
Other assets	-	-	38,982	**38,982**
Total financial assets	**13,585**	**404,441**	**2,017,416**	**2,435,442**
Liabilities				
Borrowings	-	-	1,585,339	**1,585,339**
Payables, accrued interest and leases	-	-	21,081	**21,081**
Total financial liabilities	**-**	**-**	**1,606,420**	**1,606,420**

	At 31 December 2019			
Presented in EUR (000)	Fair value through profit or loss	Fair value through OCI	Amortized cost	**Carrying amount**
Assets				
Cash and bank balances	-	-	82,621	**82,621**
Debt investment securities	-	420,591	-	**420,591**
Loans	12,754	-	1,808,187	**1,820,941**
Deferred income	-	-	(8,170)	**(8,170)**
Impairment losses on loans	-	-	(43,314)	**(43,314)**
Equity investments	798	29,588	-	**30,386**
Other assets	-	-	35,853	**35,853**
Total financial assets	**13,552**	**450,179**	**1,875,177**	**2,338,908**
Liabilities				
Borrowings	-	-	1,485,155	**1,485,155**
Payables, accrued interest and leases	-	-	21,321	**21,321**
Total financial liabilities	**-**	**-**	**1,506,476**	**1,506,476**

c) Fair value hierarchy

For 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	-	37,610	-	**37,610**
Fair value through profit or loss:				
Loans	-	12,787	-	**12,787**
Equity investments	-	-	798	**798**
Fair value through other comprehensive income:				
Debt investment securities	376,799			**376,799**
Equity investments	-		27,642	**27,642**
Derivative financial instruments – liabilities	-	(37,109)	-	**(37,109)**
At 30 June 2020	**376,799**	**13,288**	**28,440**	**418,527**

There have been no transfers between Level 1 and Level 2 during the year. For Level 1 market prices are used whereas for Level 2 the valuation techniques used are broker quotes and/or the application of discounted cashflow models using interest rates and credit spreads which are observable in the market. 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	-	3,128	-	**3,128**
Fair value through profit or loss:				
Loans	-	12,754	-	**12,754**
Equity investments	-	-	798	**798**
Fair value through other comprehensive income:				
Debt investment securities	420,591			**420,591**
Equity investments	-		29,588	**29,588**
Derivative financial instruments – liabilities	-	(6,552)	-	**(6,552)**
At 31 December 2019	**420,591**	**9,330**	**30,386**	**460,307**

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 2020	At 31 December 2019
At 1 January	30,386	27,656
Total gains or (losses) recognized in the income statement	-	(217)
Total gains or (losses) recognized in other comprehensive income	(2,103)	4,219
Purchases, sales, issues and settlements	157	(1,272)
At end of period	**28,440**	**30,386**

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	28,440	1,422	(1,422)

5.2 Credit Risk

The concentration of credit risk in lending portfolios is presented below, also including the undrawn amounts. The Bank is generally well diversified by country and by sector.

	At 30 June 2020		At 31 December 2019	
Presented in EUR (000)	Outstanding balance	Undrawn commitments	Outstanding balance	Undrawn commitments
Concentration by instrument				
Loans	1,943,613	199,932	1,820,941	335,959
Equity investments	28,440	7,757	30,386	7,905
Guarantees	-	30,670	-	9,632
At end of period	**1,972,053**	**238,359**	**1,851,327**	**353,496**
Concentration by country				
Albania	36,807	27	40,136	67
Armenia	103,383	112	92,731	387
Azerbaijan	116,885	12	121,519	387
Bulgaria	134,596	49,023	116,447	32,386
Georgia	109,055	13,749	116,119	28,712
Greece	357,559	13,336	386,898	12,503
Moldova	35,489	2,408	38,022	18,555
Romania	126,611	729	136,841	684
Russia	251,886	38,310	217,662	56,367
Turkey	501,058	85,369	420,399	134,229
Ukraine	198,724	35,284	164,553	69,219
At end of period	**1,972,053**	**238,359**	**1,851,327**	**353,496**
Concentration by sector				
Consumer discretionary	82,483	15,400	59,671	41,214
Consumer staples	106,825	37,739	89,200	28,856
Energy	218,573	-	228,050	-
Financial institutions	530,440	11,586	612,049	38,743
Health care	91,758	25,440	91,060	26,138
Industrials	377,290	56,027	269,758	102,000
Information technology	4,080	-	4,129	-
Materials	179,987	27,000	123,231	55,919
Real estate	9,442	25,954	3,480	32,000
Telecom services	-	-	-	-
Utilities	371,175	39,213	370,699	28,626
At end of period	**1,972,053**	**238,359**	**1,851,327**	**353,496**

The Bank closely monitors the performance of its loan portfolio to identify and address timely any issues that may arise due to the Covid-19 pandemic. More details are provided in Note 10.

5.3 Capital Management

At the inception of the Bank, the initial authorized share capital was SDR 1 billion, which was fully subscribed by the Member States. In December 2007 the BoG 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 BoG, the BoG unanimously adopted the first amendment to the Establishing Agreement, which became effective on 21 June 2013. As of this effective date, and as per Resolution 131 of the BoG, 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 share 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 BoD 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 2.45 billion.

The Bank preserves an actively managed capital stock 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 BoG 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 share capital is available to support the Bank's operations.

6. OPERATING SEGMENTS

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

	30 June 2020			30 June 2019		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Income statement						
Interest income	45,179	5,357	50,536	35,985	6,211	42,196
Net fees and commissions	836	-	836	473	-	473
Other income (expense)	214	(1,357)	(1,143)	63	657	720
Total segment revenues	46,229	4,000	50,229	36,521	6,868	43,389
Less: interest expense	(31,376)	(258)	(31,634)	(23,131)	(215)	(23,346)
Less: net interest on derivatives	-	2,030	2,030	-	(4,293)	(4,293)
Foreign exchange	-	(188)	(188)	-	(232)	(232)
Less: personnel and administrative	(9,387)	(768)	(10,155)	(9,734)	(949)	(10,683)
Less: depreciation and amortization	(273)	(5)	(278)	(291)	(5)	(296)
Segment income before impairment	5,193	4,811	10,004	3,365	1,174	4,539
Less: impairment and fair values	(5,350)	(294)	(5,644)	(1,382)	30	(1,352)
Net income (loss) for the period	**(157)**	**4,517**	**4,360**	**1,983**	**1,204**	**3,187**

	30 June 2020			31 December 2019		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Financial position						
Segment assets	1,952,895	520,800	2,473,695	1,837,862	505,575	2,343,437
At end of period			**2,473,695**			**2,343,437**
Segment liabilities	1,606,420	37,109	1,643,529	1,506,476	6,552	1,513,028
Members' equity	-	-	830,166	-	-	830,409
At end of period			**2,473,695**			**2,343,437**

7. INTEREST AND SIMILAR INCOME

Interest and similar income is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2020	Six months to 30 June 2019
From loans and advances	45,179	35,985
From placements with financial institutions	47	13
From investment securities at fair value through OCI	5,310	6,198
Interest and similar income	**50,536**	**42,196**

8. INTEREST AND SIMILAR EXPENSE

Interest and similar expense is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2020	Six months to 30 June 2019
For borrowed funds	4,330	3,966
For issued debt	26,146	18,619
For amortized issuance and arrangement costs	900	546
For other charges	258	215
Interest and similar expense	**31,634**	**23,346**

9. PERSONNEL AND ADMINISTRATIVE EXPENSES

Personnel and administrative expenses are analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2020	Six months to 30 June 2019
Salaries and benefits	6,552	6,560
Staff retirement plans	1,660	1,468
Personnel expenses	**8,212**	**8,028**
Professional fees and related expenses	511	858
Utilities and maintenance	782	713
Other administrative	650	1,084
Administrative expenses	**1,943**	**2,655**

The average number of staff employed during the period was 115 (respective period 2019: 111). The number of staff at 30 June 2020 was 116 (30 June 2019: 112). 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 is as follows:

Presented in EUR (000)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2018	3,520	4,274	26,981	34,775
Charge	-	1,423	1,573	2,996
Release	(4)	(691)	(460)	(1,155)
Upon initial recognition	-	-	6,181	6,181
Foreign exchange adjustments	(625)	980	162	517
At 31 December 2019	2,891	5,986	34,437	43,314
Charge	3,401	-	2,596	5,997
Release	-	(129)	(485)	(614)
Foreign exchange adjustments	(32)	6	156	130
At 30 June 2020	**6,260**	**5,863**	**36,704**	**48,827**

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 increase in the credit risk of the financial instrument since its initial recognition.

Total impairment losses on loans have increased by an amount of EUR 5,513 thousand compared to the previous year mainly due to the impact of the Covid-19 pandemic. The increase in Expected Credit Loss (ECL) is mainly attributed to the impact of the Covid-19 pandemic, driven by the deteriorating macroeconomic scenarios used for all member countries.

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 expected credit losses for all non-impaired operations (Stage 1 and Stage 2) on an individual operation basis based on the asset class. Provisions for impairment in Stage 1 are therefore affected by the specifics of any particular operation together with 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 is considered the relevant date to assess if there is any increase in credit risk, as at that point in time. Following this, the Bank may amend the terms and conditions of the exposure.

The estimate of the ECLs 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 2020 the amount of expected credit losses was EUR 301 thousand for loan commitments of EUR 199,932 thousand (2019: EUR 311 thousand for loan commitments of EUR 335,959 thousand).

11. DEBT INVESTMENT SECURITIES

Debt investment securities are analyzed as follows:

Presented in EUR (000)	At 30 June 2020	At 31 December 2019
Bonds	242,148	217,674
Commercial papers	134,651	202,917
Debt investment securities	376,799	420,591
Less: impairment losses	(1,059)	(765)
Debt investment securities net of impairment	**375,740**	**419,826**

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

12. 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 2020			At 31 December 2019		
Presented in EUR (000)	Notional amount	Fair value		Notional Amount	Fair Value	
		Assets	liabilities		assets	Liabilities
Currency swap purchases	20,000	20,000	-	57,000	57,000	-
Currency swap sales	(19,468)	(19,618)	-	(56,840)	(56,525)	-
Designated fair value hedges	-	37,228	(37,109)	-	2,653	(6,552)
Derivative financial instruments	**532**	**37,610**	**(37,109)**	**160**	**3,128**	**(6,552)**

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 (CSAs). 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 2020	At 31 December 2019
Loans at amortized cost:		
At 1 January	1,808,187	1,318,418
Disbursements	295,955	871,130
Less: repayments	(163,105)	(381,756)
Write-offs	-	-
Foreign exchange movements	(10,211)	395
Outstanding disbursements	1,930,826	1,808,187
Less: deferred income	(11,015)	(8,170)
Less: impairment losses	(48,827)	(43,314)
Loans at fair value:		
Outstanding disbursements	14,939	14,939
Fair value adjustment	(2,152)	(2,185)
Loans net of impairment	**1,883,771**	**1,769,457**

At 30 June 2020 the principal amount of outstanding disbursements was EUR 1,945,765 thousand (2019: EUR 1,823,126 thousand).

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 2020	At 31 December 2019
Stage 1	1,596,500	1,484,999
Less: deferred income	(11,015)	(8,170)
Less: allowance for impairment	(6,260)	(2,891)
Carrying amount	1,579,225	1,473,938
Stage 2	255,909	272,290
Less: allowance for impairment	(5,863)	(5,986)
Carrying amount	250,046	266,304
Stage 3	78,417	50,898
Less: allowance for impairment	(36,704)	(34,437)
Carrying amount	41,713	16,461
Fair value through profit or loss	12,787	12,754
Carrying amount	**1,883,771**	**1,769,457**

The outbreak of Covid-19 had impacted and increased Stage 1 versus the previous year, and a few loans being transferred to Stage 3.

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 has invested in the entities as detailed below.

		At 30 June 2020		At 31 December 2019	
Presented in EUR (000)	% of Investment	Cost	Fair Value	Cost	Fair value
Balkan Accession Fund	9.09	-	798	-	798
At fair value through profit or loss		-	798	-	798
SEAF Caucasus Growth Fund	21.39	5,498	4,864	5,423	4,270
Access Bank, Azerbaijan	0.06	790	93	792	232
A-Park Kaluga, Russia	19.99	1,714	611	1,714	785
Emerging Europe Accession Fund	10.14	2,240	7,122	2,204	5,524
Rusal	0.01	4	145	4	185
ADM Ceecat Recovery Fund	5.37	4,315	3,739	4,285	4,966
European Virgin Fund	21.05	7,698	10,696	7,673	13,236
Teamnet International	8.33	5,599	-	5,599	-
Natfood	37.98	-	-	-	-
EOS Hellenic Renaissance Fund	2.53	530	372	498	390
At fair value through other comprehensive income		28,388	27,642	28,192	29,588
Equity investments at fair value		**28,388**	**28,440**	**28,192**	**30,386**

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 2020, as Management considers that these provide 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 year the Bank had realized a net income of EUR 164 thousand from its investment in the A-Park Kaluga Fund.

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

As of 30 June 2020 the Bank has a few equity investments where it holds slightly more than 20 per cent of the investee share capital, but as the Bank does not exert significant influence, hence these investments are not accounted for as investments in associates under IAS 28.

15. OTHER ASSETS

Other assets is analyzed as follows:

Presented in EUR (000)	At 30 June 2020	At 31 December 2019
Accrued interest	28,874	24,334
Advances and prepaid expenses	5,154	6,165
Other prepayments	-	187
Guarantee deposits	4,954	5,167
Other assets	**38,982**	**35,853**

16. PROPERTY AND EQUIPMENT

Property and equipment were a total amount of EUR 3,490 thousand with accumulated depreciation of EUR 3,068 thousand and net book value of EUR 422 thousand.

17. INTANGIBLE ASSETS

Intangible assets comprising computer software were a total amount of EUR 4,716 thousand with accumulated amortization of EUR 4,351 thousand and net book value of EUR 365 thousand.

18. BORROWINGS

Borrowing facilities and bond issues, 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 ECP issuance or borrowings from commercial banks for cash management purposes.

	At 30 June 2020		At 31 December 2019	
Presented in EUR (000)	Amount used	Amount arranged	Amount Used	Amount arranged
Euro	90,129	170,129	96,477	146,477
United States dollar	1,049,613	1,138,915	1,029,024	1,118,039
Swiss franc	187,863	187,863	184,366	184,366
Romanian lei	174,052	174,052	82,023	82,023
Azerbaijan manat	5,344	5,344	5,415	5,415
Georgian lari	78,338	78,338	84,125	84,125
Armenian dram	-	-	3,725	3,725
Total	**1,585,339**	**1,754,641**	**1,485,155**	**1,624,170**

The interest rate on borrowings falls within an approximate range of Euribor or USD Libor plus 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 2020	At 31 December 2019
Accrued interest	11,982	11,652
Social insurance fund (EFKA) contributions	3	3
Pension plan obligation	7,536	7,536
Suppliers and other accrued expenses	782	1,012
Other	59	59
Payables and accrued interest	**20,362**	**20,262**

Notes to the Condensed Interim Financial Statements

20. SHARE CAPITAL

The share capital is analyzed as follows:

Presented in EUR (000)	At 30 June 2020	At 31 December 2019
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)
Paid-in share capital	**686,550**	**686,550**

* Shares available to new or existing Member States.

21. RESERVES

Total reserves are EUR 49,406 thousand and are analyzed as general reserve of EUR 73,386 thousand, other comprehensive income reserve of EUR (20,240) thousand and other reserves of EUR (3,740) 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 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 7,536 thousand (2019: EUR 7,536 thousand) and the amount included in personnel expenses for the period was EUR 1,123 thousand (30 June 2019: EUR 936 thousand).

Under the defined contribution scheme the amount included in personnel expenses for the period was EUR 529 thousand (30 June 2019: EUR 523 thousand), and under the Greek state social insurance fund was EUR 8 thousand (30 June 2019: EUR 9 thousand).

23. RELATED PARTIES

The Bank has the following related parties.

Key Management Personnel

Key management personnel comprise: the President, Vice Presidents and the Secretary General. They are entitled to a staff compensation package that includes a salary, 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 636 thousand (respective period 2019: EUR 1,005 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.

24. EVENTS AFTER THE REPORTING PERIOD

The Bank issued a USD 150 million bond in July 2020 with a duration of 4 years. These new funds will strengthen the Bank's liquidity position and assist in the post-pandemic recovery in the Black Sea Region.