DOCUMENT OF THE
BLACK SEA TRADE AND DEVELOPMENT BANK

Condensed Interim Financial Statements for the Six Months Period Ended 30 June 2017

Together with Auditors' Review Report

KPMG

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying balance sheet of Black Sea Trade and Development Bank (the "Bank") as of 30 June 2017 and the related statements of income and comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. 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 - 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".

KPMG Certified Auditors AE
Athens, Greece
22 September 2017

CONDENSED INCOME STATEMENT

For the six months period ended 30 June 2017

Presented in thousands of EUR	Note	Six months to 30 June 2017	Six months to 30 June 2016
Interest income	7	34,101	29,526
Interest expense	8	(20,890)	(14,841)
Net interest income		**13,211**	**14,685**
Net fees and commissions		673	665
Dividend income	14	1,715	-
Net gains from debt investment securities		(3)	(1)
Foreign exchange (losses) income		(990)	(834)
Other (loss) income		(3)	20
Operating income		**14,603**	**14,535**
Personnel expenses	9,22	(7,444)	(7,244)
Other administrative expenses	9	(2,183)	(2,035)
Depreciation and amortization	15,16	(228)	(292)
Income before impairment		**4,748**	**4,964**
Impairment (losses) on loans	10	(2,931)	(5,787)
Impairment (losses) on guarantees		(4)	(27)
Fair value (losses) on equity investments	14	(5,928)	-
Net (loss) for the period		**(4,115)**	**(850)**

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 2017

Presented in thousands of EUR	Note	Six months to 30 June 2017	Six months to 30 June 2016
Net (loss) for the period		(4,115)	(850)
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Net change in available-for-sale financial assets		3,474	(4,300)
Total comprehensive (loss) for the period		**(641)**	**(5,150)**

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

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

Presented in thousands of EUR	Note	At 30 June 2017	At 31 December 2016
Assets			
Cash and cash equivalents		65,978	70,034
Debt investment securities:			
Available-for-sale	11	414,990	414,539
Derivative financial instruments – assets	12	2,072	576
Loans	13	1,069,093	1,139,072
Less: deferred income	13	(7,628)	(7,626)
Less: impairment losses	10,13	(31,361)	(30,131)
Loans net of impairment		1,030,104	1,101,315
Equity investments available-for-sale	14	45,370	52,766
Property and equipment	15	478	510
Intangible assets	16	533	479
Other assets	17	25,269	25,652
Total Assets		**1,584,794**	**1,665,871**
Liabilities			
Borrowings	18	786,261	862,533
Derivative financial instruments – liabilities	12	19,167	35,100
Payables and accrued interest	19	15,837	15,568
Total liabilities		821,265	913,201
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	(61,241)	(72,741)
Paid-in share capital		625,309	613,809
Reserves	21	50,651	47,177
Retained earnings		87,569	91,684
Total members' equity		763,529	752,670
Total Liabilities and Members' Equity		**1,584,794**	**1,665,871**

Off-balance-sheet items			
Commitments		133,360	160,191

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 2017

Presented in thousands EUR	Share capital					
	Subscribed	Callable	Payable	Reserves	Retained earnings	Total
At 31 December 2015	**2,288,500**	**(1,601,950)**	**(110,137)**	**53,450**	**91,684**	**721,547**
Total comprehensive income			-			
Net income for the year	-	-		-	1,751	1,751
Other comprehensive income:						
Fair value reserve						
(available-for-sale			-			
financial assets)	-	-		(5,003)	-	(5,003)
Remeasurement of defined			-			
benefit liability (asset)	-	-		(3,021)	-	(3,021)
Total comprehensive income	-	-	-	(8,024)	1,751	(6,273)
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	37,396	-	-	37,396
Transfer to general reserve	-	-	-	1,751	(1,751)	-
Total contributions and distributions	-	-	37,396	1,751	(1,751)	37,396
At 31 December 2016	**2,288,500**	**(1,601,950)**	**(72,741)**	**47,177**	**91,684**	**752,670**
Total comprehensive income						
Net (loss) for the period	-	-	-	-	(4,115)	(4,115)
Other comprehensive income:						
Fair value reserve						
(available-for-sale						
financial assets)	-	-	-	3,474	-	3,474
Total comprehensive income	-	-	-	3,474	(4,115)	(641)
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	11,500	-	-	11,500
Total contributions and distributions	-	-	11,500	-	-	11,500
At 30 June 2017	**2,288,500**	**(1,601,950)**	**(61,241)**	**50,651**	**87,569**	**763,529**

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

CONDENSED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2017

Presented in thousands of EUR	Note	Six months to 30 June 2017	Six months to 30 June 2016
Cash flows from operating activities			
Net (loss) for the period		(4,115)	(850)
Adjustment for:			
Impairment losses (gains)		2,935	5,814
Depreciation and amortization		228	292
Net interest income		(13,211)	(14,685)
Dividends on available-for-sale securities		(1,715)	-
Foreign exchange adjustment on provisions		(1,216)	(407)
Fair value losses through profit or loss		5,928	-
Operating income before changes in operating assets		(11,166)	(9,836)
Changes in:			
Derivative financial instruments		(17,429)	100
Other assets		1,031	(1,202)
Accounts payable		227	(554)
Deferred income		2	2,164
Fair value movements		3,474	(4,300)
Cash generated from operations		(23,861)	(13,628)
Proceeds from repayment of loans		170,629	164,791
Proceeds from repayment of equity investments		6,019	70
Funds advanced for loans		(148,920)	(219,447)
Funds advanced for equity investments		(1,097)	(1,263)
Foreign exchange and other adjustments		50,744	21,505
Interest income received		33,453	20,708
Dividends received		1,715	-
Interest expense paid		(20,852)	(4,367)
Net cash from / (used in) operating activities		67,830	(31,631)
Cash flows from investing activities			
Proceeds from available-for-sale investment securities		199,693	406,580
Purchase of available-for-sale investment securities		(199,929)	(683,113)
Purchase of property, software and equipment		(252)	(230)
Net cash from / (used in) investing activities		(488)	(276,763)
Cash flows from financing activities			
Proceeds received from share capital		11,500	11,574
Paid-in share capital received		11,500	11,574
Proceeds from borrowings		72,531	521,950
Repayments of borrowings		(148,803)	(51,230)
Net cash from / (used in) financing activities		(64,772)	482,294
Net increase in cash and cash equivalents		**2,570**	**173,900**
Cash and cash equivalents at beginning of year		308,077	189,044
Cash and cash equivalents at end of period		**310,647**	**362,944**

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

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

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

Headquarters Agreement

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting,* and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2016 ('last annual financial statements'). They do not include all of 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 2017 were submitted by the Management Committee to the Board of Directors ("BoD") for their approval on 22 September 2017, and were approved on that date.

Basis of Measurement

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

Functional and Presentation Currency

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

Judgments and Assumptions

In preparing these interim financial statements, Management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 2016.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the last annual 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 2017	31 December 2016	30 June 2016
	=	United States dollar	1.14120	1.05410	1.11020
	=	Pound sterling	0.87933	0.85618	0.82650
1 EUR	=	Russian ruble	67.54490	-	-
	=	Azerbaijan manat	1.94740	1.86440	1.72137
	=	Georgian lari	2.74320	2.78210	2.58880
	=	Armenian dram	549.17900	-	-

Standard Issued But Not Yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Bank has not early adopted the following new or amended standards in preparing these condensed interim financial statements.

The Bank has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Bank's financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Bank currently plans to early adopt IFRS 9 on its year-end financial statements with date of initial application the beginning of the annual period.

Notes to the Condensed Interim Financial Statements

The actual impact of adopting IFRS 9 on the Bank's financial statements is not known and cannot be reasonably estimated because it will be dependent on the financial instruments that the Bank holds and economic conditions at that time, as well as accounting elections and judgments that it will make in the future. The new standard will require the Bank to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

At 30 June 2017, the Bank had equity investments classified as available-for-sale with a fair value of EUR 45,370 thousand that are not held for trading. If these investments continue to be held for the same purpose at initial application of IFRS 9, then the Bank may elect to classify them as at FVTOCI or FVTPL. Due to the expected early adoption of IFRS 9 in 31 December 2017 financial statements the FV losses of EUR 5,928 thousand are expected not to be recycled in the income statement as the Bank intends to classify equity investments as FVTOCI. In the former case, all fair value gains and losses would be reported in OCI, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Bank's profits.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVTOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

> 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and
>
> Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Bank believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Bank has not yet finalized the impairment methodologies that it will apply under IFRS 9.

Notes to the Condensed Interim Financial Statements

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

The remaining amount of change in the fair value is presented in profit or loss.

The Bank has not designated any financial liabilities as at FVTPL and the Bank has no current intention to do so. The Bank's preliminary assessment did not indicate any material impact if IFRS 9's requirements on the classification of financial liabilities were applied at 30 June 2017.

iv. Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Bank has not yet made a decision in this regard.

IFRS 9 will require the Bank to ensure that hedge accounting relationships are aligned with the Bank's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on the rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

The Bank's preliminary assessment also indicated that the expected changes in accounting policies for hedging would have had an immaterial impact if they had been applied to the Bank's hedge accounting during the six months ended 30 June 2017.

4. USE OF ESTIMATES

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

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

- Provisions for the impairment of loan operations. Portfolio provisions for loans not individually assessed as impaired amounted to EUR 7,884 thousand as indicated in related note.

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

  Furthermore, there was a net increase on specific provisions during the period made for the identified impairment of EUR 1,791 thousand. Specific provisions are assigned according to the degree of potential impairment resulting from the impairment test that is conducted on the basis of objective evidence obtained through a risk asset review process.

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

- Staff retirement benefits. The present value of retirement benefit obligations is sensitive to the actuarial and financial assumptions used, including the discount rate applied. At the end of each year, the Bank determines the appropriate discount rate and other assumptions to be used to determine the present value of estimated future pension obligations, based on interest rates of suitable long-term bonds and on currencies as the EUR and USD. The Bank's liability to the staff retirement plan at the financial position date was EUR 4,648 thousand.

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

5. RISK MANAGEMENT

Classification and Fair Value

a) Classification

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

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

Notes to the Condensed Interim Financial Statements

b) Financial assets and liabilities

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

Presented in EUR (000)	At 30 June 2017 Loans and receivables	At amortized cost	**Carrying amount**
Assets			
Cash and bank balances	-	65,978	**65,978**
Loans	1,069,093	-	**1,069,093**
Deferred income	-	(7,628)	**(7,628)**
Impairment losses on loans	(31,361)	-	**(31,361)**
Other assets	25,269	-	**25,269**
Total financial assets	**1,063,001**	**58,350**	**1,121,351**
Liabilities			
Borrowings	-	786,261	**786,261**
Payables and accrued interest	-	15,837	**15,837**
Total financial liabilities	**-**	**802,098**	**802,098**

Presented in EUR (000)	At 31 December 2016 Loans and receivables	At amortized cost	**Carrying Amount**
Assets			
Cash and bank balances	-	70,034	**70,034**
Loans	1,139,072	-	**1,139,072**
Deferred income	-	(7,626)	**(7,626)**
Impairment losses on loans	(30,131)	-	**(30,131)**
Other assets	25,652	-	**25,652**
Total financial assets	**1,134,593**	**62,408**	**1,197,001**
Liabilities			
Borrowings	-	862,533	**862,533**
Payables and accrued interest	-	15,568	**15,568**
Total financial liabilities	**-**	**878,101**	**878,101**

c) Fair value hierarchy

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

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

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

Presented in EUR (000)	Level 1	Level 2	Level 3	**Carrying Amount**
Derivative financial instruments – assets	-	2,072	-	**2,072**
Available-for-sale:				
Debt investment securities	414,990	-	-	**414,990**
Equity investments	-	-	45,370	**45,370**
Derivative financial instruments – liabilities	-	(19,167)	-	**(19,167)**
At 30 June 2017	**414,990**	**(17,095)**	**45,370**	**443,265**

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	-	576	-	**576**
Available-for-sale:				
Debt investment securities	414,539	-	-	**414,539**
Equity investments	-	-	52,766	**52,766**
Derivative financial instruments – liabilities	-	(35,100)	-	**(35,100)**
At 31 December 2016	**414,539**	**(34,524)**	**52,766**	**432,781**

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 2017	At 31 December 2016
At 1 January	52,766	63,800
Total gains or (losses) recognized in the income statement	(7,684)	(4,404)
Total gains or (losses) recognized in other comprehensive income	1,448	(4,097)
Purchases, sales, issues and settlements	(1,160)	(2,533)
At end of period	**45,370**	**52,766**

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	45,370	2,269	(2,269)

Capital Management

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

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

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

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

At the 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 2.3 billion.

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

6. OPERATING SEGMENTS

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

	30 June 2017			30 June 2016		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Income statement						
Interest income	29,959	4,142	34,101	28,455	1,071	29,526
Net fees and commissions	661	12	673	664	1	665
Other income (expense)	1,712	(3)	1,709	16	3	19
Total segment revenues	32,332	4,151	36,483	29,135	1,075	30,210
Less: interest expense	(18,688)	(2,202)	(20,890)	(12,072)	(2,769)	(14,841)
Net fair value and foreign exchange	-	(990)	(990)	-	(834)	(834)
Less: personnel and other admin. expenses	(9,015)	(612)	(9,627)	(8,784)	(495)	(9,279)
Less: depreciation and amortization	(223)	(5)	(228)	(287)	(5)	(292)
Segment income before impairment	4,406	342	4,748	7,992	(3,028)	4,964
Less: impairment / fair value (losses)	(8,863)	-	(8,863)	(5,814)	-	(5,814)
Net (loss) for the period	**(4,457)**	**342**	**(4,115)**	**2,178**	**(3,028)**	**(850)**

	30 June 2017			31 December 2016		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Financial position						
Segment assets	1,101,754	483,040	1,584,794	1,180,722	485,149	1,665,871
At end of period			**1,584,794**			**1,665,871**
Segment liabilities	802,098	19,167	821,265	878,101	35,100	913,201
Members' equity	-	-	763,529	-	-	752,670
At end of period			**1,584,794**			**1,665,871**

7. INTEREST INCOME

Interest and similar income is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2017	Six months to 30 June 2016
From loans and advances	29,959	28,455
From placements with financial institutions	1	2
From investment securities available-for-sale	3,266	846
From derivative financial assets at fair value	875	223
Interest income	**34,101**	**29,526**

8. INTEREST EXPENSE

Interest and similar expense is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2017	Six months to 30 June 2016
From borrowed funds	3,980	4,139
From issued debt	13,846	7,933
From derivative financial liabilities at fair value	1,946	2,136
From amortized issuance and arrangement costs	862	482
From other charges	256	151
Interest expense	**20,890**	**14,841**

9. PERSONNEL AND OTHER ADMINISTRATIVE EXPENSES

Administrative expenses are analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2017	Six months to 30 June 2016
Salaries and benefits	5,815	5,856
Staff retirement plans	1,629	1,388
Personnel expenses	**7,444**	**7,244**

Professional fees and related expenses	576	374
Utilities and maintenance	718	676
Other administrative	889	985
Other administrative expenses	**2,183**	**2,035**

Notes to the Condensed Interim Financial Statements

The average number of staff employed during the period was 111 (respective period 2016: 109). The number of staff at 30 June 2017 was 112 (30 June 2016: 109).

10. IMPAIRMENT LOSSES ON LOANS

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

Presented in EUR (000)	Collective	Specific	Total
At 31 December 2015	8,498	18,058	26,556
Charge	4,504	2,873	7,377
Release	(832)	(758)	(1,590)
Against write-offs	-	(2,776)	(2,776)
Foreign exchange adjustments	(89)	(318)	(407)
At 30 June 2016	12,081	17,079	29,160
Charge	1,855	4,368	6,223
Release	(5,827)	(321)	(6,148)
Against write-offs	-	(36)	(36)
Foreign exchange adjustments	336	596	932
At 31 December 2016	8,445	21,686	30,131
Charge	1,078	4,756	5,834
Release	(1,295)	(1,608)	(2,903)
Against write-offs	-	(485)	(485)
Foreign exchange adjustments	(344)	(872)	(1,216)
At 30 June 2017	**7,884**	**23,477**	**31,361**

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

At 30 June 2017 the Bank categorized five loans as impaired with an exposure amount of EUR 73,637 thousand (2016: seven loans with an exposure amount of EUR 72,666 thousand), out of which four are categorized as non-performing. Provisions on these assets amounted to EUR 23,477 thousand (2016: EUR 21,686 thousand). Management estimates that the allowance for the impaired loans is adequate to cover potential or unforeseen uncollectible amounts in the existing portfolio.

11. DEBT INVESTMENT SECURITIES

Debt investment securities are analyzed as follows:

Presented in EUR (000)	At 30 June 2017	At 31 December 2016
Government bonds	51,276	39,439
Corporate bonds	119,045	128,153
Commercial papers	244,669	246,947
Debt investment securities	**414,990**	**414,539**

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 2017			At 31 December 2016		
Presented in EUR (000)	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Assets	liabilities		assets	Liabilities
Currency swap purchases	25,000	25,000	-	40,000	40,000	-
Currency swap sales	(24,036)	(23,989)	-	(40,149)	(39,691)	-
Designated fair value hedges	-	1,061	(19,167)	-	267	(35,100)
Derivative financial instruments	**964**	**2,072**	**(19,167)**	**(149)**	**576**	**(35,100)**

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 2017	At 31 December 2016
At 1 January	1,139,072	1,049,732
Disbursements	148,920	443,738
Less: repayments	(174,392)	(366,957)
Disposal	-	-
Write-offs	(485)	(2,812)
Foreign exchange movements	(44,022)	15,371
Loans total	1,069,093	1,139,072
Less: deferred income	(7,628)	(7,626)
Less: impairment losses	(31,361)	(30,131)
Loans net of impairment	**1,030,104**	**1,101,315**

As of 30 June 2017 all loan facilities are classified as standard apart from five that were impaired. Out of the impaired loans, four are categorized as non-performing with an exposure amount of EUR 53,872 thousand. As of this date, the amount of interest and similar income that has not been accrued related to impaired loans was EUR 14,008 thousand, out of which an amount of EUR 984 thousand refers to the current period.

At 30 June 2017 the Bank did not have restructured loan operations for the reporting period.

Presented in EUR (000)	At 30 June 2017	At 31 December 2016
Collectively impaired	995,456	1,062,848
Less: deferred income	(7,628)	(7,626)
Less: allowance for impairment	(7,884)	(8,416)
Carrying amount	979,944	1,046,806
Past due but not impaired	-	3,558
Less: allowance for impairment	-	(29)
Carrying amount	-	3,529
Individually impaired	73,637	72,666
Less: allowance for impairment	(23,477)	(21,686)
Carrying amount	50,160	50,980
Total carrying amount at amortized cost	**1,030,104**	**1,101,315**

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 9.5%. 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 2017		At 31 December 2016	
Presented in EUR (000)	% of Investment	Cost	Fair value	Cost	Fair value
SEAF Caucasus Growth Fund	21.39	7,275	5,738	7,812	6,024
Access Bank, Azerbaijan	20.00	12,309	4,491	9,118	5,095
Balkan Accession Fund	9.09	2,911	5,224	3,032	5,162
A-Park Kaluga, Russia	19.99	1,714	2,612	1,714	1,979
Emerging Europe Accession Fund	10.15	1,670	6,898	4,897	10,218
Rusal	0.01	4	183	4	170
ADM Ceecat Recovery Fund	5.65	7,049	8,305	8,687	10,155
European Virgin Fund	21.05	9,167	8,526	9,925	9,303
Teamnet International	8.33	5,599	3,393	5,599	4,660
Natfood	0.01	-	-	-	-
Equity investments available-for-sale		**47,698**	**45,370**	**50,788**	**52,766**

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 2017, as Management considers that is the best available estimate of the investments fair value. The techniques applied to perform these valuations include equity calculations based on EBITDA and market data.

The decrease of EUR 2,328 thousand corresponds to the difference between acquisition cost and fair value as of 30 June 2017.

A fair value loss in the Access Bank of EUR 3,722 thousand and in the Teamnet of EUR 2,206 thousand was recorded through profit or loss due to the unrealized significant fair value reduction against the cost. On exit of an equity investment, 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.

During the period the Bank had realized a dividend income of EUR 1,715 thousand from its investment in the A-Park Kaluga.

As at 30 June 2017 the Bank has three equity investments where it holds slightly more than 20 per cent of the investee share capital, but does not exert significant influence, hence the investment is not accounted for as an investment in an associate under IAS 28.

15. PROPERTY AND EQUIPMENT

Property and equipment for the period were a total amount of EUR 3,110 thousand with accumulated depreciation of EUR 2,632 thousand and net book value of EUR 478 thousand.

16. INTANGIBLE ASSETS

Intangible assets comprising computer software for the period were a total amount of EUR 4,119 thousand with accumulated amortization of EUR 3,586 thousand and net book value of EUR 533 thousand.

17. OTHER ASSETS

Other assets is analyzed as follows:

Presented in EUR (000)	At 30 June 2017	At 31 December 2016
Accrued interest	18,260	17,612
Advances and prepaid expenses	4,390	5,545
Other prepayments	-	184
Guarantee deposits	2,619	2,311
Other assets	**25,269**	**25,652**

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 ECP issuance or borrowings from commercial banks for cash management purposes. At 30 June 2017 the Bank had issued debt securities in the amount of EUR 607,750 thousand.

	At 30 June 2017		At 31 December 2016	
Presented in EUR (000)	Amount used	Amount arranged	Amount used	Amount arranged
Euro	91,616	111,616	73,179	113,179
United States dollar	525,796	613,423	622,577	622,577
Japanese yen	11,742	11,742	12,155	12,155
Swiss franc	91,748	91,748	93,423	93,423
Romanian lei	22,337	22,337	22,380	22,380
Georgian lari	39,370	39,370	38,819	38,819
Armenian dram	3,652	3,652	-	-
Total	**786,261**	**893,888**	**862,533**	**902,533**

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 2017	At 31 December 2016
Accrued interest	9,951	9,913
Social insurance fund (IKA) contributions	5	4
Pension plan obligation	4,648	4,648
Suppliers and other accrued expenses	1,179	953
Other	54	50
Payables and accrued interest	**15,837**	**15,568**

20. SHARE CAPITAL

The share capital is analyzed as follows:

Presented in EUR (000)	At 30 June 2017	At 31 December 2016
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	(61,241)	(72,741)
Less: shares payments past due	-	-
Paid-up share capital	625,309	613,809
Advance against future call	-	-
Paid-in share capital	**625,309**	**613,809**

* Shares available to new or existing Member States.

21. RESERVES

Total reserves are EUR 50,651 thousand and analyzed as general reserve of EUR 55,406 thousand, available-for-sale reserve of EUR (1,390) thousand and other reserves of EUR (3,365) 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 4,648 thousand (2016 EUR 4,648 thousand) and the amount included in personnel expenses for the period was EUR 1,115 thousand (30 June 2016: EUR 894 thousand).

Under the defined contribution scheme the amount included in personnel expenses for the period was EUR 495 thousand (30 June 2016: EUR 478 thousand), and under the Greek state social insurance fund was EUR 19 thousand (30 June 2016: EUR 16 thousand).

23. RELATED PARTIES

The Bank has the below related parties.

Key Management Personnel

Key management personnel comprise: the President, Vice Presidents and Secretary General. They are entitled to a staff compensation package that includes a salary, covered by medical insurance, participate in the Bank's retirement schemes and are eligible to receive other short term benefits. The amounts paid to key management personnel during the period were EUR 610 thousand (2016: EUR 634 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.