DOCUMENT OF THE
BLACK SEA TRADE AND DEVELOPMENT BANK

Condensed Interim Financial Statements for the Six Months Period Ended 30 June 2018

Together with Auditors' Review Report

Independent Auditors' Report on Review of Condensed Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Black Sea Trade and Development Bank (the "Bank") as of 30 June 2018 and the related condensed statements of income and other comprehensive income, changes in equity and cash flows for the six-month period then ended and the selected explanatory notes which comprise the condensed interim financial information. The Bank's management is responsible for the preparation and for presentation of this condensed interim financial information in accordance with the International Financial Reporting Standard and specifically with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

KPMG Certified Auditors AE
Athens, Greece
19 September 2018

CONDENSED INCOME STATEMENT

For the six months period ended 30 June

Presented in thousands of EUR	Note	Six months to 30 June 2018	Six months to 30 June 2017
Interest income	7	38,097	34,101
Interest expense	8	(20,952)	(20,890)
Net interest income		**17,145**	**13,211**
Net fees and commissions		675	673
Dividend income	14	-	1,715
Net gains from equity investments through profit or loss	14	445	-
Net gains from debt investment securities through OCI		(43)	(3)
Foreign exchange income (losses)		(610)	(990)
Other (loss) income		(2)	(3)
Operating income		**17,610**	**14,603**
Personnel expenses	9,22	(7,690)	(7,444)
Other administrative expenses	9	(2,357)	(2,183)
Depreciation and amortization	15,16	(227)	(228)
Income before impairment		**7,336**	**4,748**
Impairment (losses) on loans at amortized cost	10	(337)	(2,931)
Impairment (losses) on guarantees		-	(4)
Impairment (losses) on debt investment securities through OCI	11	23	-
Fair value (losses) on loans through profit or loss	13	(975)	-
Fair value gains (losses) on equity investments through profit or loss	14	(66)	(5,928)
Net income (loss) for the period		**5,981**	**(4,115)**

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 2018	Six months to 30 June 2017
Net income (loss) for the period		5,981	(4,115)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net change in equity investments financial assets		(1,240)	-
Items that are or may be reclassified to profit or loss:			
Net change in investment securities financial assets		(5,873)	3,474
Total comprehensive (loss) for the period		**(1,132)**	**(641)**

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 2018	At 31 December 2017
Assets			
Cash and cash equivalents		111,080	81,481
Placements with financial institutions		4,220	-
Debt investment securities at fair value through other comprehensive income	11	290,488	292,524
Less: impairment losses	11	(253)	(276)
Debt investment securities net of impairment		290,235	292,248
Derivative financial instruments – assets	12	814	1,659
Loans at amortized cost	13	1,184,659	1,132,359
Less: deferred income	13	(4,406)	(6,219)
Less: impairment losses	10,13	(40,386)	(47,996)
Loans at fair value through profit or loss	13	11,747	2,722
Loans net of impairment		1,151,614	1,080,866
Equity investments at fair value through profit or loss	14	1,534	1,600
Equity investments at fair value through other comprehensive income	14	28,197	29,761
Equity investments at fair value		29,731	31,361
Property and equipment	15	457	501
Intangible assets	16	688	653
Other assets	17	29,261	26,157
Total Assets		**1,618,100**	**1,514,926**
Liabilities			
Borrowings	18	787,565	722,592
Derivative financial instruments – liabilities	12	26,686	18,242
Payables and accrued interest	19	16,708	15,422
Total liabilities		830,959	756,256
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	(15,381)	(44,984)
Paid-in share capital		671,169	641,566
Reserves	21	26,470	33,583
Retained earnings		89,502	83,521
Total members' equity		787,141	758,670
Total Liabilities and Members' Equity		**1,618,100**	**1,514,926**
Off-balance-sheet items			
Commitments		239,305	185,563

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	Share capital Callable	Share capital Payable	Reserves	Retained Earnings	Total
At 31 December 2016	**2,288,500**	**(1,601,950)**	**(72,741)**	**47,177**	**91,684**	**752,670**
Impact of adoption IFRS 9 at 1 January 2017					(11,349)	(11,349)
Restated balance at 1 January 2017	**2,288,500**	**(1,601,950)**	**(72,741)**	**47,177**	**80,335**	**741,321**
Total comprehensive income						
Net income for the year	-	-	-	-	8,655	8,655
Other comprehensive income						
Fair value reserve (financial assets)	-	-	-	(19,294)	-	(19,294)
Remeasurement of defined benefit liability (asset)	-	-	-	231	-	231
Total comprehensive income	-	-	-	(19,063)	8,655	(10,408)
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	27,757	-	-	27,757
Transfer to general reserve	-	-	-	5,469	(5,469)	-
Total contributions and Distributions	-	-	27,757	5,469	(5,469)	27,757
At 31 December 2017	**2,288,500**	**(1,601,950)**	**(44,984)**	**33,583**	**83,521**	**758,670**
Total comprehensive income						
Net income for the period	-	-	-	-	5,981	5,981
Other comprehensive income						
Fair value reserve (financial assets)	-	-	-	(7,113)	-	(7,113)
Total comprehensive income	-	-	-	(7,113)	5,981	(1,132)
Transactions with owners of the Bank						
Members' contributions:						
Paid-in share capital	-	-	29,603	-	-	29,603
Total contributions and distributions	-	-	29,603	-	-	29,603
At 30 June 2018	**2,288,500**	**(1,601,950)**	**(15,381)**	**26,470**	**89,502**	**787,141**

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 2018	Six months to 30 June 2017
Cash flows from operating activities			
Net income for the period		5,981	(4,115)
Adjustment for:			
Depreciation and amortization	15,16	227	228
Impairment losses (gains)	10,13	314	2,935
Fair value losses on loans at FVTPL	13	975	-
Fair value (gains) losses on equity investments at FVTPL	14	66	5,928
Net interest income		(17,145)	(13,211)
Foreign exchange adjustment on provisions	10	631	(1,216)
Operating (loss) before changes in operating assets		(8,951)	(9,451)
Changes in:			
Derivative financial instruments	12	9,289	(17,429)
Other assets	17	167	1,031
Accounts payable	19	151	227
Deferred income	13	(1,813)	2
Fair value movements		(7,113)	3,474
Cash generated from operations		(8,270)	(22,146)
Proceeds from repayment of loans	13	162,508	170,629
Proceeds from repayment of equity investments		567	6,019
Funds advanced for loans	13	(216,895)	(148,920)
Funds advanced for equity investments		(242)	(1,097)
Foreign exchange and other adjustments		(5,633)	50,744
Interest income received		34,826	33,453
Interest expense paid		(19,817)	(20,852)
Net cash from / (used in) operating activities		(52,956)	67,830
Cash flows from investing activities			
Proceeds from investment securities at FVTOCI		177,178	199,693
Purchase of investment securities at FVTOCI		(200,542)	(199,929)
Purchase of property, software and equipment	15,16	(217)	(252)
Net cash from / (used in) investing activities		(23,581)	(488)
Cash flows from financing activities			
Proceeds received from share capital	20	29,603	11,500
Proceeds from borrowings	18	139,500	72,531
Repayments of borrowings	18	(74,527)	(148,803)
Net cash from / (used in) financing activities		94,576	(64,772)
Net increase in cash and cash equivalents		**18,039**	**2,570**
Cash and cash equivalents at beginning of year		196,481	308,077
Cash and cash equivalents at end of period		**214,520**	**310,647**

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. ESTABLISHMENT OF THE BANK

Agreement Establishing the Bank

Black Sea Trade and Development Bank ("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 of the following 11 countries: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russian Federation, Turkey and Ukraine.

Headquarters Agreement

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance

The interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting,* and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2017 ('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 2018 were approved by the Management Committee on 18 September 2018, and further submitted to the Board of Directors ("BoD") for their information.

Basis of Measurement

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

Functional and Presentation Currency

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

Notes to the Condensed Interim Financial Statements

Judgments and Assumptions

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

The significant judgments made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2017.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

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 2018	31 December 2017	30 June 2017
	=	United States dollar	1.16580	1.19930	1.14120
	=	Pound sterling	0.88605	0.88723	0.87933
1 EUR	=	Russian ruble	73.15820	69.39200	67.54490
	=	Azerbaijan manat	1.98140	2.03070	1.94740
	=	Georgian lari	2.84390	3.11690	2.74320
	=	Armenian dram	561.81000	580.10000	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 2018 and earlier application is permitted.

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

4. USE OF ESTIMATES

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

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

- Provisions for the impairment of loan operations. The Bank's method for determining the level of impairment of loan operations is described in the "impairment" accounting policy and further explained in the relevant risk management policies. Provisions for loans that have an expected credit loss of 12-month amounted to EUR 952 thousand and those loans that have an expected lifetime credit loss but that are not credit impaired amounted to EUR 1,035 thousand.

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

  Furthermore, those loans that have an expected lifetime credit loss and are credit impaired amounted to EUR 38,399 thousand. These provisions are assigned according to the degree of potential impairment resulting from the impairment test that is conducted on the basis of objective evidence obtained through a risk asset review process.

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

- Staff retirement benefits. The Bank's has established a pension plan for its staff which is described in "staff retirement and termination benefits" accounting policy and is detailed under staff retirement plan in note "Employee benefits". 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 5,232 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

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

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

Equity investments classified as "at fair value through profit or loss (FVTPL)" include investments that are quoted on an exchange (i.e. private equity) or those elected having their fair value based on cash outflows and inflows. Equity investments classified as "at fair value through other comprehensive income (FVTOCI)" include investments in that are not quoted on an exchange (i.e. private equity), the fair value of which has been estimated with techniques that use inputs not based on observable market data.

b) Financial assets and liabilities

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

	At 30 June 2018		
Presented in EUR (000)	Fair value through profit or loss (mandatory)	Amortized Cost	**Carrying amount**
Assets			
Cash and bank balances	-	111,080	**111,080**
Placements with financial institutions	-	4,220	**4,220**
Loans	11,747	1,184,659	**1,196,406**
Deferred income	-	(4,406)	**(4,406)**
Impairment losses on loans	-	(40,386)	**(40,386)**
Other assets	-	29,261	**29,261**
Total financial assets	**11,747**	**1,284,428**	**1,296,175**
Liabilities			
Borrowings	-	787,565	**787,565**
Payables and accrued interest	-	16,708	**16,708**
Total financial liabilities	**-**	**804,273**	**804,273**

	At 31 December 2017		
Presented in EUR (000)	Fair value through profit or loss (mandatory)	Amortized cost	**Carrying amount**
Assets			
Cash and bank balances	-	81,481	**81,481**
Loans	2,722	1,132,358	**1,135,080**
Deferred income	-	(6,219)	**(6,219)**
Impairment losses on loans	-	(47,996)	**(47,996)**
Other assets	-	26,157	**26,157**
Total financial assets	**2,722**	**1,185,781**	**1,188,503**
Liabilities			
Borrowings	-	722,592	**722,592**
Payables and accrued interest	-	15,422	**15,422**
Total financial liabilities	**-**	**738,014**	**738,014**

Notes to the Condensed Interim Financial Statements

c) Fair value hierarchy

For those above financial instruments measured at fair value, the Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

Presented in EUR (000)	Level 1	Level 2	Level 3	Carrying Amount
Derivative financial instruments – assets	-	814	-	**814**
Fair value through profit or loss:				
Loans	-	11,747	-	**11,747**
Equity investments	-	-	1,534	**1,534**
Fair value through other comprehensive income:				
Debt investment securities	290,488			**290,488**
Equity investments	-		28,197	**28,197**
Derivative financial instruments – liabilities	-	(26,686)	-	**(26,686)**
At 30 June 2018	**290,488**	**(14,125)**	**29,731**	**306,094**

There have been no transfers between Level 1 and Level 2 during the period. 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	-	1,659	-	**1,659**
Fair value through profit or loss:				
Loans	-	2,722	-	**2,722**
Equity investments	-	-	1,600	**1,600**
Fair value through other comprehensive income:				
Debt investment securities	292,524			**292,524**
Equity investments	-		29,761	**29,761**
Derivative financial instruments – liabilities	-	(18,242)	-	**(18,242)**
At 31 December 2017	**292,524**	**(13,861)**	**31,361**	**310,024**

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 2018	At 31 December 2017
At 1 January	31,361	52,766
Total gains or (losses) recognized in the income statement	(66)	1,600
Total gains or (losses) recognized in other comprehensive income	(1,240)	(21,641)
Purchases, sales, issues and settlements	(324)	(1,364)
At end of period	**29,731**	**31,361**

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	29,731	1,487	(1,487)

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 2018			30 June 2017		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Income statement						
Interest income	34,061	4,036	38,097	29,959	4,142	34,101
Net fees and commissions	675	-	675	661	12	673
Other income (expense)	443	(43)	400	1,712	(3)	1,709
Total segment revenues	35,179	3,993	39,172	32,332	4,151	36,483
Less: interest expense	(17,402)	(3,550)	(20,952)	(18,688)	(2,202)	(20,890)
Net fair value and foreign exchange	-	(610)	(610)	-	(990)	(990)
Less: personnel and other admin. expenses	(9,320)	(727)	(10,047)	(9,015)	(612)	(9,627)
Less: depreciation and amortization	(222)	(5)	(227)	(223)	(5)	(228)
Segment income before impairment	8,235	(899)	7,336	4,406	342	4,748
Less: impairment / fair value (losses)	(1,378)	23	(1,355)	(8,863)	-	(8,863)
Net income (loss) for the period	**6,857**	**(876)**	**5,981**	**(4,457)**	**342**	**(4,115)**

	30 June 2018			31 December 2017		
Presented in EUR (000)	Lending	Treasury	Total	Lending	Treasury	Total
Financial position						
Segment assets	1,211,751	406,349	1,618,100	1,139,538	375,388	1,514,926
At end of period			**1,618,100**			**1,514,926**
Segment liabilities	804,273	26,686	830,959	738,014	18,242	756,256
Members' equity	-	-	787,141	-	-	758,670
At end of period			**1,618,100**			**1,514,926**

7. INTEREST INCOME

Interest and similar income is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2018	Six months to 30 June 2017
From loans and advances	34,061	29,959
From placements with financial institutions	16	1
From investment securities at fair value through OCI	3,609	3,266
From derivative financial assets at fair value through profit or loss	411	875
Interest income	**38,097**	**34,101**

8. INTEREST EXPENSE

Interest and similar expense is analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2018	Six months to 30 June 2017
From borrowed funds	3,162	3,980
From issued debt	13,589	13,846
From derivative financial liabilities at fair value profit or loss	3,313	1,946
From amortized issuance and arrangement costs	651	862
From other charges	237	256
Interest expense	**20,952**	**20,890**

9. PERSONNEL AND OTHER ADMINISTRATIVE EXPENSES

Administrative expenses are analyzed as follows:

Presented in EUR (000)	Six months to 30 June 2018	Six months to 30 June 2017
Salaries and benefits	6,062	5,815
Staff retirement plans	1,628	1,629
Personnel expenses	**7,690**	**7,444**

Professional fees and related expenses	584	576
Utilities and maintenance	711	718
Other administrative	1,062	889
Other administrative expenses	**2,357**	**2,183**

The average number of staff employed during the period was 111 (respective period 2017: 111). The number of staff at 30 June 2018 was 110 (30 June 2017: 112). Further analysis of the staff retirement plan is presented in note “Employee benefits”.

10. IMPAIRMENT LOSSES ON LOANS

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

Presented in EUR (000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2017	2,234	4,515	34,731	41,480
Charge	401	-	19,238	19,639
Release	(3,388)	(6,918)	(208)	(10,514)
Transfer	2,578	3,794	(6,372)	-
Against write-offs	-	-	(485)	(485)
Foreign exchange adjustments	(372)	(303)	(1,449)	(2,124)
At 31 December 2017	1,453	1,088	45,455	47,996
Charge	-	-	1,082	1,082
Release	(610)	(135)	-	(745)
Transfer	-	-	-	-
Against write-offs	-	-	(8,578)	(8,578)
Foreign exchange adjustments	109	82	440	631
At 30 June 2018	**952**	**1,035**	**38,399**	**40,386**

At each reporting date, the Bank recognizes loss allowances based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant movement in credit risk on the financial instrument since its initial recognition. The IFRS 9 transition is the amount arising by the reclassification of these financial assets from IAS 39, which reduced such amount in retained earnings.

Staging Criteria 12-month ECL (Stage 1)

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

Staging Criteria lifetime ECL (Stages 2 and 3)

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

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

Revolving facilities and undrawn commitments

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

The estimate of the expected credit losses on irrevocable loan commitments is consistent with its expectations of drawdowns on that loan commitment. Therefore, the Bank considered (i) the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses and (ii) the expected portion of the loan commitment that will be drawn down over the expected life of the reporting date when estimating lifetime expected credit losses. At 30 June 2018 the amount of expected credit losses was EUR 109 thousand.

11. DEBT INVESTMENT SECURITIES

Debt investment securities are analyzed as follows:

Presented in EUR (000)	At 30 June 2018	At 31 December 2017
Government bonds	65,998	53,105
Corporate bonds	134,490	129,419
Commercial papers	90,000	110,000
Debt investment securities at fair value through OCI	290,488	292,524
Less: impairment losses	(253)	(276)
Debt investment securities net of impairment	**290,235**	**292,248**

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 2018			At 31 December 2017		
Presented in EUR (000)	Notional amount	Fair value		Notional amount	Fair value	
		Assets	liabilities		assets	liabilities
Currency swap purchases	15,000	-	15,000	52,174	52,174	-
Currency swap sales	(15,246)	-	(15,046)	(51,543)	(50,968)	-
Designated fair value hedges	-	814	(26,640)	-	453	(18,242)
Derivative financial instruments	**(246)**	**814**	**(26,686)**	**631**	**1,659**	**(18,242)**

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 2018	At 31 December 2017
Loans at amortized cost:		
At 1 January	1,132,359	1,139,072
Disbursements	216,895	386,211
Less: repayments	(162,508)	(318,214)
Disposal	-	-
Write-offs	(8,578)	(485)
Foreign exchange movements	6,491	(74,225)
Outstanding disbursements	1,184,659	1,132,359
Less: deferred income	(4,406)	(6,219)
Less: impairment losses	(40,386)	(47,996)
Loans at fair value:		
Outstanding disbursements	14,939	4,939
Fair value adjustment	(3,192)	(2,217)
Loans net of impairment	**1,151,614**	**1,080,866**

At 30 June 2018 the principal amount of outstanding disbursements was EUR 1,199,598 thousand. As of this date the amount of interest and similar income that has not been accrued related to impaired loans was EUR 14,408 thousand, out of which an amount of EUR 576 thousand refers to the current year.

During the period the Bank did not have restructured loan operation.

Presented in EUR (000)	At 30 June 2018	At 31 December 2017
Stage 1	1,016,726	995,590
Less: deferred income	(4,406)	(6,219)
Less: allowance for impairment	(952)	(1,453)
Carrying amount	1,011,368	987,918
Stage 2	114,559	75,623
Less: allowance for impairment	(1,035)	(1,088)
Carrying amount	113,524	74,535
Stage 3	53,374	61,146
Less: allowance for impairment	(38,399)	(45,455)
Carrying amount	14,975	15,691
Fair value through profit or loss	11,747	2,722
Carrying amount	**1,151,614**	**1,080,866**

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

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 2018		At 31 December 2017	
Presented in EUR (000)	% of Investment	Cost	Fair value	Cost	Fair value
Balkan Accession Fund	9.09	-	1,534	-	1,600
At fair value through profit or loss		-	1,534	-	1,600
SEAF Caucasus Growth Fund	21.39	7,243	5,826	7,040	5,499
Access Bank, Azerbaijan	20.00	14,501	-	14,148	-
A-Park Kaluga, Russia	19.99	1,714	340	1,714	340
Emerging Europe Accession Fund	10.15	1,899	5,558	1,840	6,921
Rusal	0.01	4	95	4	248
ADM Ceecat Recovery Fund	5.65	6,713	7,121	6,636	7,422
European Virgin Fund	21.05	8,568	8,841	8,724	8,933
Teamnet International	8.33	5,599	398	5,599	398
EOS Hellenic Renaissance Fund	3.18	18	18	-	-
Natfood	0.01	-	-	-	-
At fair value through other comprehensive income		46,259	28,197	45,705	29,761
Equity investments at fair value		**46,259**	**29,731**	**45,705**	**31,361**

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 2018, 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 16,528 thousand corresponds to the difference between acquisition cost and fair value as of 30 June 2018.

During the period the Bank had realized a net income of EUR 445 thousand from its investment in the Balkan Accession Fund.

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

As at 30 June 2018 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 3,272 thousand with accumulated depreciation of EUR 2,815 thousand and net book value of EUR 457 thousand.

16. INTANGIBLE ASSETS

Intangible assets comprising computer software for the period were a total amount of EUR 4,486 thousand with accumulated amortization of EUR 3,798 thousand and net book value of EUR 688 thousand.

17. OTHER ASSETS

Other assets are analyzed as follows:

Presented in EUR (000)	At 30 June 2018	At 31 December 2017
Accrued interest	20,245	16,974
Advances and prepaid expenses	5,554	5,850
Other prepayments	-	184
Guarantee deposits	3,462	3,149
Other assets	**29,261**	**26,157**

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 2018 the Bank had issued debt securities in the amount of EUR 633,525 thousand.

	At 30 June 2018		At 31 December 2017	
Presented in EUR (000)	Amount used	Amount arranged	Amount used	Amount arranged
Euro	62,160	82,160	76,756	96,756
United States dollar	506,839	592,617	500,214	583,596
Swiss franc	86,605	86,605	85,667	85,667
Romanian lei	21,850	21,850	21,850	21,850
Georgian lari	106,544	106,544	34,650	34,650
Armenian dram	3,567	3,567	3,455	3,455
Total	**787,565**	**893,343**	**722,592**	**825,974**

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 2018	At 31 December 2017
Accrued interest	10,271	9,136
Social insurance fund (IKA) contributions	3	5
Pension plan obligation	5,232	5,232
Suppliers and other accrued expenses	1,143	990
Other	59	59
Payables and accrued interest	**16,708**	**15,422**

20. SHARE CAPITAL

The above share capital is analyzed as follows:

Presented in EUR (000)	At 30 June 2018	At 31 December 2017
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	(15,381)	(44,984)
Less: shares payments past due	-	-
Paid-up share capital	671,169	641,566
Advance against future call	-	-
Paid-in share capital	**671,169**	**641,566**

* Shares available to new or existing Member States.

21. RESERVES

Total reserves are EUR 26,470 thousand and analyzed as general reserve of EUR 60,873 thousand, other comprehensive income reserve of EUR (31,268) thousand and other reserves of EUR (3,135) 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 5,232 thousand (2017 EUR 5,232 thousand) and the amount included in personnel expenses for the period was EUR 1,112 thousand (30 June 2017: EUR 1,115 thousand).

Under the defined contribution scheme the amount included in personnel expenses for the period was EUR 508 thousand (30 June 2017: EUR 495 thousand), and under the Greek state social insurance fund was EUR 8 thousand (30 June 2017: EUR 19 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 611 thousand (2017: EUR 610 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.