International Investment Bank

Interim condensed consolidated financial statements

Six months ended 30 June 2014

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Report on review of interim condensed consolidated financial statements

To the Council of the International Investment Bank

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of the International Investment Bank and its subsidiaries (the "Group"), which comprise interim condensed consolidated statement of financial position as at 30 June 2014, the related interim condensed consolidated statements of income and comprehensive income for the three-month and the six-month periods then ended, interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Vneshaudit

19 August 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(Thousands of euros)

	Note	*30 June 2014*	*31 December 2013*
Assets			
Cash and cash equivalents	5	34,953	20,045
Deposits with banks and other financial institutions	6	48,535	41,490
Financial assets at fair value through profit or loss	7	3,824	151
Available-for-sale investment securities	8	128,063	129,876
Available-for-sale investment securities pledged under repurchase agreements	8	17,935	–
Held-to-maturity investment securities	9	5,974	5,910
Long-term loans to banks	10	96,568	58,795
Loans to customers	11	48,378	37,625
Inventories – real estate objects	12	4,203	4,929
Investment property		52,488	53,480
Property and equipment		50,897	50,000
Other assets	13	8,201	8,811
Total assets		**500,019**	**411,112**
Liabilities			
Due to banks and other financial institutions	14	57,202	49,586
Financial liabilities at fair value through profit or loss	7	680	–
Current customer accounts		4,145	3,313
Long-term interbank borrowings	15	18,224	–
Debt securities issued	16	43,825	–
Other liabilities	13	5,581	5,841
Total liabilities		**129,657**	**58,740**
Equity	17		
Subscribed capital		1,300,000	1,300,000
Callable capital		(1,042,391)	(1,058,685)
Paid-in capital		**257,609**	**241,315**
Revaluation reserve for available-for-sale investment securities		(636)	214
Revaluation reserve for property and equipment		33,375	33,375
Foreign currency translation reserve		(1,405)	(1,219)
Retained earnings less net income for the period		78,687	76,059
Net income for the period		2,732	2,628
Total equity		**370,362**	**352,372**
Total equity and liabilities		**500,019**	**411,112**

Signed and authorized for release on behalf of the Board of the Bank

Denis Ivanov — Acting Chairman of the Board

Eugeny Atanassov — Managing Director of the Financial Department

19 August 2014

The accompanying notes 1-29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For six months ended 30 June 2014

(Thousands of Euros)

		For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	Note	*2014*	*2013*	*2014*	*2013*
Financial result from continuing operations					
Interest income	20	4,191	3,131	7,491	6,814
Interest expenses	20	(1,065)	(146)	(1,209)	(225)
Net interest income		**3,126**	**2,985**	**6,282**	**6,589**
(Allowance)/reversal of allowance for impairment of loans to customers	11	(1,987)	(1,358)	(3,574)	771
Net interest income/(expense) after allowance for loan impairment		**1,139**	**1,627**	**2,708**	**7,360**
Fee and commission income		–	207	31	212
Fee and commission expense		(13)	(16)	(29)	(36)
Net fee and commission income		**(13)**	**191**	**2**	**176**
Net (losses)/gains from foreign currencies	21	1,019	(1,346)	(198)	(694)
Net gains from available-for-sale investment securities		2,887	1,673	4,650	5,299
Income from lease of investment property	19	2,091	1,985	4,091	3,955
Dividend income		–	263	–	263
Revenues from sales of inventory	12	168	–	579	–
Other income		(109)	34	51	68
Net non-interest income		**6,056**	**2,609**	**9,173**	**8,891**
Operating income		**7,182**	**4,427**	**11,883**	**16,427**
Reversal of allowance for impairment of other assets		1	–	1	–
General and administrative expenses	22	(3,910)	(4,495)	(8,349)	(7,658)
Cost of inventories sold	13	(192)	–	(609)	–
Other operating expenses		(176)	(66)	(194)	(110)
Operating expenses		**(4,277)**	**(4,561)**	**(9,151)**	**(7,768)**
Profit/(loss) before income tax		**2,905**	**(134)**	**2,732**	**8,659**
Income tax		–	–	–	–
Net profit/(loss) for the period		**2,905**	**(134)**	**2,732**	**8,659**

The accompanying notes 1-29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For six months ended 30 June 2014

(Thousands of Euros)

		For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	Note	***2014***	***2013***	***2014***	***2013***
Net profit/(loss) for the period		**2,905**	**(134)**	**2,732**	**8,659**
Other comprehensive (loss)/income					
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:					
Movements in unrealized revaluation reserve for available-for-sale investment securities		1,803	(5,188)	(850)	(8,276)
Translation differences		360	(708)	(186)	(699)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**2,163**	**(5,896)**	**(1,036)**	**(8,975)**
Other comprehensive (loss)/income		**2,163**	**(5,896)**	**(1,036)**	**(8,975)**
Total comprehensive (loss)/income for the period		**5,068**	**(6,030)**	**1,696**	**(316)**

The accompanying notes 1-29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2014

(Thousands of Euros)

	Subscribed capital	*Callable capital*	*Revaluation reserve for available-for-sale investment securities*	*Revaluation reserve for property and equipment*	*Foreign currency translation reserve*	*Retained earnings*	*Total equity*
At 1 January 2013	**1,300,000**	**(1,134,752)**	**4,340**	**33,375**	**–**	**152,126**	**355,089**
Profit for the period	–	–	–	–	–	8,659	**8,659**
Other comprehensive loss for the period	–	–	(8,276)	–	(699)	–	**(8,975)**
Total comprehensive (loss)/income	**–**	**–**	**(8,276)**	**–**	**(699)**	**8,659**	**(316)**
Subscribed capital withdrawal (Note 17)	–	76,067	–	–	–	(76,067)	–
At 30 June 2013	**1,300,000**	**(1,058,685)**	**(3,936)**	**33,375**	**(699)**	**84,718**	**354,773**
At 1 January 2014	**1,300,000**	**(1,058,685)**	**214**	**33,375**	**(1,219)**	**78,687**	**352,372**
Profit for the period	–	–	–	–	–	2,732	**2,732**
Other comprehensive loss for the period	**–**	**–**	(850)	–	(186)	–	**(1,036)**
Total comprehensive (loss)/income	**–**	**–**	**(850)**	**–**	**(186)**	**2,732**	**1,682**
Subscribed capital withdrawal (Note 17)	–	16,294	–	–	–	–	**16,294**
At 30 June 2014	**1,300,000**	**(1,042,391)**	**(636)**	**33,375**	**(1,405)**	**81,419**	**370,362**

The accompanying notes 1-29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For six months ended 30 June 2014

(Thousands of Euros)

	Note	*For the six-month period ended 30 June* 2014	2013
Cash flows from operating activities			
Interest, fees and commissions received from deposits and long-term loans to banks and other financial institutions, and loans to customers		3,599	2,779
Interest, fees and commissions paid		(426)	(150)
Net receipts from foreign currencies		(384)	(121)
Cash flows from lease of investment property		4,091	3,955
General and administrative expenses		(6,813)	(7,392)
Other expenses arising from banking transactions		(145)	(110)
Cash flows from operating activities before changes in operating assets and liabilities		**(78)**	**(1,039)**
Net (increase)/decrease in operating assets			
Deposits with banks and other financial institutions		(5,899)	25,506
Long-term loans to banks		(37,632)	–
Loans to customers		(13,939)	(38,461)
Inventories – real estate objects		–	(927)
Other assets		658	(7,594)
Net increase/(decrease) in operating liabilities			
Due to banks and other financial institutions		6,429	29,303
Current customer accounts		831	26
Other liabilities		469	310
Net cash flows from operating activities		**(49,161)**	**7,124**
Cash flows from investing activities			
Purchase of available-for-sale investment securities		(241,980)	(112,758)
Proceeds from sale and redemption of investment securities		232,362	112,703
Purchase of held-to-maturity investment securities		241	(5,958)
Investment in investment property		(20)	(33)
Acquisition of property and equipment		(573)	(159)
Net cash flows from investing activities		**(9,970)**	**(6,206)**
Cash flows from financing activities			
Raising long-term loans from banks		17,852	–
Issue of debt securities	16	40,441	–
Capital contributions	17	16,294	–
Net cash flows from financing activities		**74,587**	**–**
Effect of exchange rate changes on cash and cash equivalents		(548)	(751)
Net decrease in cash and cash equivalents		**14,908**	**167**
Cash and cash equivalents, beginning		**20,045**	**8,407**
Cash and cash equivalents, ending	5	**34,953**	**8,574**

The accompanying notes 1-29 are an integral part of these interim condensed consolidated financial statements.

(Thousands of Euros)

1. Principal activities

These consolidated financial statements include the financial statements of the International Investment Bank (the "Bank") and its subsidiaries. The Bank and its subsidiaries are hereinafter referred together as the "Group". The International Investment Bank is the parent company of the Group. The list of the Bank's subsidiaries is presented in Note 2.

The Bank was founded in 1970, has operated since 1 January 1971 and is an international institution operating on the basis of the Intergovernmental Agreement on the Establishment of the International Investment Bank (the "Agreement") and the Statutes. The Agreement was ratified by the member countries of the Bank and registered with the Secretariat of the United Nations in December 1971. The Bank is primarily engaged in commercial lending for the benefit of national investment projects in the member countries of the Bank and for other purposes defined by the Council of the Bank. The Bank also performs transactions with securities and foreign currency. The Bank operates from its office at 7 Mashi Poryvaevoi St., Moscow, Russia.

In 2013, the Bank completed the implementation of the Relaunch Program, which was unanimously approved at the 98th meeting of the Bank's Council in November 2012, and from 1 January 2014 experienced deep structural transformations, which gave the Group an opportunity to operate in accordance with modern requirements and standards for international banks for development.

- The new system of risk management compliant with Basel II standards came into force. The Group operates in accordance with indicative risk appetite values set by the Board.
- The Group implemented the modern planning system, which will help to ensure the integration and interrelation of strategic, tactical and operating goals and tasks.
- The Group is continuing to integrate into the international development institutions system: accession to the Master Cooperation Agreement with IFC means IIB joins 19 leading development institutions and has more opportunities for the development of syndicated lending projects.
- The Bank issued bond loan for the first time in its history.
- The Group continues to expand its loan portfolio characterized by high country diversification and to extend products range. The disbursement of loan within the framework of the first project in Romania in many years, as well as financing the major telecommunication company in the Republic of Bulgaria may be given as examples.

Member countries of the Bank

The member countries of the Bank include (share in the paid-in capital of the Bank, %):

Member countries	*30 June 2014, %*	*31 December 2013, %*
Russian Federation	58.238	58.026
Czech Republic	11.791	12.587
Republic of Bulgaria	11.583	12.365
Slovak Republic	8.339	6.294
Romania	7.164	7.647
Republic of Cuba	2.081	2.222
Mongolia	0.407	0.435
Socialist Republic of Vietnam	0.397	0.424
	100.000	**100.000**

The decision of the 99th meeting of the Bank's Council on the additional capitalization in the amount of EUR 100 million is being implemented. The following countries have fulfilled their obligations in respect of contributions to the Bank's share capital: in February 2014, Slovak Republic contributed EUR 6.3 million, and in May 2014, the Russian Federation contributed EUR 10 million.

(Thousands of Euros)

1. Principal activities (continued)

Member countries of the Bank (continued)

In accordance with the Agreement, each member country of the Bank may withdraw from membership upon notice to the Council of the Bank at least six months in advance. In this case the Bank must settle all obligations to the relevant member country.

The member countries of the Bank may vote at the meetings of the Council and each member country has one vote regardless of the size of its contribution to the Bank's capital.

The decisions of the 101st meeting of the Bank's Council (May 2014) establish a basis for the further development of the International Investment Bank as a multilateral bank for development. The member countries have launched the process of signing the Protocol on introducing changes to the Agreement on the Establishment of IIB and the Statutes.

Conditions of the Bank's financial and business operations in the member countries

In the member countries, the Bank is not subject to taxation and enjoys all privileges available to diplomatic representations.

The Bank is not subject to regulation by the Central Banks of the member countries, including the country of residence.

Business environment in the member countries

The member countries have experienced political and economic change, which has affected, and may continue to affect, the activities of enterprises operating in these countries. Consequently, operations in some member countries involve risks, which do not typically exist in developed markets.

The accompanying consolidated financial statements reflect the management's assessment of the impact of the member countries' business environment on the results of operations and financial position of the Group. Future evolution of the conditions in which the Group operates may differ from the assessment made by the management for the purposes of these consolidated financial statements.

2. Basis of preparation

General

These interim condensed consolidated financial statements have been prepared for the six months ended 30 June 2014 in accordance with International Financial Reporting Standard ("IFRS") IAS 34 *Interim Financial Reporting*, approved by the International Accounting Standards Board.
The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013.

Subsidiaries

The Bank is a parent company of the Group, which owns CJSC IIB Capital (a 100% subsidiary established in 2012) as at 30 June 2014. The share capital of the subsidiary at its establishment amounted to RUB 10 thousand (EUR 250). In 2013, the Bank made an additional contribution to the share capital of the subsidiary in the amount of EUR 11,161 thousand.

Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost convention with the exception of the financial instruments under fair value convention, the changes of which are translated through profit or loss account for the period, available-for-sale financial instruments also stated at fair value, and buildings and investment property are stated at revalued amounts.

(Thousands of Euros)

2. Basis of preparation (continued)

Functional and presentation currency

In accordance with the Statutes of the Bank, the management has determined the Group's functional and presentation currency of the interim condensed consolidated financial statements to be the Euro ("EUR") as it reflects the economic substance of the underlying operations conducted by the Group and circumstances affecting its operations, because most financial assets and financial liabilities as well as income and expenses of the Group are denominated in EUR. The functional currency of the Group's subsidiary is Russian ruble.

These interim condensed consolidated financial statements are presented in thousands of Euros ("Thousands of Euros" or "EUR thousand"), unless otherwise indicated.

3. Summary of accounting policies

The accounting policies, calculation methods and basis of measurement adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted and described in the consolidated financial statements of the Group for the year ended 31 December 2013, except for the adoption of new standards and interpretations as at 1 January 2014, noted below:

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment were not relevant to the Group, since the Group is not qualified to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments had no impact on the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. IFRIC 21 did not have material impact on the Group's consolidated financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments had no impact on the Group, since the Group has not novated its derivatives during the current period.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments eliminate unintended consequences of application of IFRS 13 *Fair Value Measurement* required in accordance with IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. The amendments had no impact on the financial position or performance of the Group.

(Thousands of Euros)

4. Significant accounting judgments and estimates

Assumptions and estimation uncertainty

In the process of applying the Group's accounting policies, management has made its professional judgments, used several assumptions and estimates on determining the amounts of assets and liabilities recognized in the consolidated financial statements, which have the most significant effect on the amounts recognized in the consolidated financial statements and the carrying amount of assets and liabilities in the following financial year. Estimates and assumptions are continuously assessed and are based on the management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions and estimates adopted by the management of the Group in the process of applying the accounting policies are consistent with those described in the consolidated financial statements of the Bank for the year ended 31 December 2013.

In particular, information on significant areas of estimation uncertainty and critical judgments in applying accounting policies is presented in the following notes:

- Note 7 – Financial liabilities at fair value through profit or loss
- Note 8 – Available-for-sale investment securities
- Note 10 – Long-term loans to banks
- Note 11 – Loans to customers
- Note 12 – Inventories – real estate objects
- Note 18 – Contingencies and lending commitments.

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(Thousands of Euros)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2014	*31 December 2013*
Cash on hand	**250**	**970**
Nostro accounts with banks and other financial institutions		
Credit rating AAA	91	2,148
Credit rating from A- to A+	16,696	838
Credit rating from BBB- to BBB+	536	198
No credit rating	–	–
Total Nostro accounts with banks and other financial institutions	**17,323**	**3,184**
Short-term deposits with banks:		
Term deposits with banks		
Credit rating from AA- to AA+	12,002	–
Credit rating from A- to A+	–	6,500
Credit rating from BBB- to BBB+	240	4,272
Total short-term deposits with banks	**12,242**	**10,772**
Collateral on credit transactions with banks		
No credit rating	5,138	5,119
Cash and cash equivalents	**34,953**	**20,045**

Cash and cash equivalents are neither impaired, nor past due.

In December 2013, the Mongolian customer with no credit rating was provided a long-term mortgage loan (Note 11). The surety bank placed a short-term interest-free collateral deposit with IIB prior to the mortgage registration in Mongolia (Note 14). The deposit in the amount of EUR 5,138 thousand is placed by the Bank on the correspondent account of the surety bank.

6. Deposits with banks and other financial institutions

Deposits with banks and other financial institutions comprise:

	30 June 2014	*31 December 2013*
Term deposits with banks up to 1 year		
Credit rating from BBB- to BBB+	732	–
Credit rating from BB- to BB+	875	1,028
Credit rating B+	46,928	40,462
Deposits with banks and other financial institutions	**48,535**	**41,490**

Amounts due from the National Bank of the Republic of Cuba

As at 30 June 2014, the Group placed deposits with the National Bank of the Republic of Cuba (without credit rating) in the amount of EUR 34,967 thousand (31 December 2013: EUR 34,967 thousand). As part of restructuring of reciprocal claims and liabilities, the 100th meeting of the IIB Council approved an Agreement under which the parties confirmed the debt of the Republic of Cuba to IIB, converted the debt into the Group's functional currency and made a partial write off of loans issued to borrowers in the Republic of Cuba (Note 11). Under this Agreement the parties also approved the principles and terms of debt settlement. Despite the restructuring, the Group did not reverse previously accrued allowances for impairment, therefore as at 30 June 2014, the Group created a 100% allowance for impairment of these deposits in the amount of EUR 34,967 thousand (31 December 2013: EUR 34,967 thousand).

(Thousands of Euros)

6. Deposits with banks and other financial institutions (continued)

Concentration of deposits with banks and other financial institutions

As at 30 June 2014, the Group had two counterparties (31 December 2013: one counterparty) accounting for over 20% of the Group's total deposits with banks and other financial institutions, except for deposits with the National Bank of the Republic of Cuba.

7. Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss include derivative transactions. Derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions. Derivative financial instruments are either assets or liabilities depending on the fluctuations in the market which can have either favorable or unfavorable effect on these instruments. Thus, the fair value of derivative financial instruments may significantly change depending on potentially favorable or unfavorable conditions.

Foreign currency transactions

The table below shows the fair value of derivative financial instruments as at 30 June 2014 and 31 December 2013 and notional amounts of term contracts for the purchase and sale of foreign currency specifying weighted average contractual exchange rates:

	30 June 2014				
	Notional amount		*Weighted average*	*Fair value*	
	Purchase	*Sale*	*exchange rate*	*Assets*	*Liabilities*
Swaps	RUB 1,950,000 thousand	EUR 39,109 thousand	–	3,824	–
Term foreign currency transactions	EUR 17,900 thousand	USD 24,630 thousand	1.38	–	133
	EUR 5,000 thousand	RUB 262,325 thousand	52.47	–	547

	31 December 2013			
	Notional amount		*Weighted average*	*Fair value*
	Purchase	*Sale*	*exchange rate*	*Assets*
Term foreign currency transactions	EUR 14,400 thousand	USD 19,646 thousand	1.36	151

On 30 April 2014, due to issuing a bond loan (Note 15), the Group concluded cross currency interest rate swaps on an arm's length basis with two Russian credit institutions. These swaps regulate long-term currency risks of the Bank. Payment netting is not applied to the parties' obligations in respect of interest and principal payments.

The notional amount, recorded gross, is the amount of a derivative's underlying asset and liability and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

As at 30 June 2014 and 31 December 2013 the Group has positions in the following types of derivatives:

Forwards: Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Swaps: Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Fair value measurement is based on the corresponding forward curves that depend on exchange rates, interest rates and swap contract maturity. For the fair value of swaps, the discount rate was calculated on the basis of zero coupon yield curve and credit risk. Changes in the fair value of swaps were mainly due to the increase in the forward EUR to RUB exchange rate.

(Thousands of Euros)

8. Available-for-sale investment securities

Available-for-sale investment securities comprise:

	30 June 2014	*31 December 2013*
Held by the Group		
Quoted debt securities		
Government bonds of member countries and bonds of regional governments:		
Eurobonds issued by governments of member countries	26,224	32,126
Bonds of regional governments	3,239	3,252
Government bonds of member countries and bonds of regional governments	**29,463**	**35,378**
Corporate bonds:		
Credit rating from A- to A+	15,148	46,488
Credit rating from BBB- to BBB+	83,452	45,193
Corporate bonds	**98,600**	**91,681**
Total quoted debt securities	**128,063**	**127,059**
Quoted equity instruments		
Credit rating BB	–	2,817
Available-for-sale investment securities	**128,063**	**129,876**
Pledged under repurchase agreements		
Quoted debt securities		
Corporate bonds:		
Credit rating from BBB- to BBB+	17,935	–
Total quoted debt securities	**17,935**	**–**
Available-for-sale investment securities pledged under repurchase agreements	**17,935**	**–**

Government bonds of member countries represent EUR-denominated and USD-denominated securities issued and guaranteed by the Ministries of Finance of these countries, maturing in 2017-2020 (31 December 2013: maturing in 2017-2020). The annual coupon rate for these bonds varies from 1.5% to 6.5% (31 December 2013: from 3.6% to 6.5%).

Bonds of regional governments represent EUR-denominated bonds issued by the city of Moscow, maturing in 2016 (31 December 2013: maturing in 2016). The annual coupon rate for these bonds is 5.1% (31 December 2013: 5.1%).

Corporate bonds are represented by the bonds issued by major companies and banks of member countries and EU countries, maturing in 2014-2025 (31 December 2013: maturing in 2016-2023). The annual coupon rate for these bonds varies from 3.0% to 8.1% (31 December 2013: from 2.9% to 7.9%).

9. Held-to-maturity investment securities

As at 30 June 2014, held-to-maturity investment securities included quoted Eurobonds of Corporate Commercial Bank (city of Sofia, Bulgaria) with the carrying amount of EUR 5,974 thousand (31 December 2013: EUR 5,910 thousand).

10. Long-term loans to banks

In H1 2014, the Group continued its lending activity considering priorities set in 2013. The principal lending activity is to facilitate the development of small and medium-sized businesses in the member countries and participate in financing of socially important infrastructure projects in these countries. The Bank considers national development institutes, export and import banks and agencies, international financial organizations and development banks as its key counterparties.

(Thousands of Euros)

10. Long-term loans to banks (continued)

In 2014, the Group provided long-term loans to banks operating in the following countries:

	30 June 2014	*31 December 2013*
Russian Federation	54,846	20,058
Mongolia	26,562	23,522
Socialist Republic of Vietnam	15,160	15,215
Total long-term loans to banks	**96,568**	**58,795**

As at 30 June 2014 and 31 December 2013, outstanding long-term loans to banks are neither past due nor impaired, and allowances for impairment of these loans were not made.

Analysis of collateral for long-term loans to banks

The following table provides an analysis of the portfolio of long-term loans to banks by type of collateral as at 30 June 2014 and 31 December 2013:

	30 June 2014		*31 December 2013*	
	Long-term loans to banks	*Share in the total loans, %*	*Long-term loans to banks*	*Share in the total loans, %*
Pledge of real property (mortgage) and title	5,957	6.2	6,012	10.2
Uncollateralized part of the loans	90,611	93.8	52,783	89.8
Total loans to customers	**96,658**	**100.0**	**58,795**	**100.0**

The amounts shown in the table above represent the carrying amount of the portfolio of long-term loans to banks, and do not necessarily represent the fair value of the collateral.

Concentration of long-term loans to banks

As at 30 June 2014, long-term loans to five banks (31 December 2013: five borrowers) with the total amount of loans to each of them exceeding 10% of total long-term loans to banks were recorded on the Group's statement of financial position. As at 30 June 2014, the total amount of such major loans was EUR 70,006 thousand (31 December 2013: EUR 48,647 thousand).

11. Loans to customers

The Group issued loans to customers operating in the following countries:

	30 June 2014	*31 December 2013*
Mongolia	23,812	23,935
Republic of Bulgaria	16,847	5,775
Slovak Republic	8,368	7,915
Romania	2,940	–
Total loans to customers	**51,967**	**37,625**
Less: allowance for loan impairment	(3,589)	–
Loans to customers	**48,378**	**37,625**

A summary of overdue loans as at 30 June 2014 and 31 December 2013 is presented below:

	30 June 2014	*31 December 2013*
Total loans for which the principal and/or interest is overdue	8,107	–
Less: allowance for loan impairment	(3,589)	–
Overdue loans to customers	**4,518**	**–**

(Thousands of Euros)

11. Loans to customers (continued)

Allowance for impairment of loans to customers

Movements in allowances for loan impairment by country are as follows:

	Republic of Bulgaria	*Slovak Republic*	*Total*
At 1 January 2014	–	–	–
Net charge/(reversal) for the period	(15)	3,589	**3,574**
Reversal of allowance previously written off	15	–	**15**
At 30 June 2014	**–**	**3,589**	**3,589**
Individual impairment	**–**	**3,589**	**3,589**
Gross amount of loans to customers, individually determined to be impaired, before deducting any individually assessed impairment allowance	**–**	**8,107**	**8,107**

	Russian Federation	*Mongolia*	*Republic of Bulgaria*	*Total*
At 1 January 2013	**69,029**	**5,808**	**2,927**	**77,764**
Net charge/(reversal) for the period	(899)	131	(3)	**(771)**
Effect of repayment of loan of previously sold subsidiary	1,327	–	–	**1,327**
Change in allowance resulting from changes in exchange rates	–	11	–	**11**
At 30 June 2013	**69,457**	**5,950**	**2,924**	**78,331**
Individual impairment	**69,457**	**5,950**	**2,924**	**78,331**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**81,869**	**11,819**	**2,927**	**96,615**

Analysis of collateral

The following table provides an analysis of the customer loan portfolio, net of allowance for impairment, by types of collateral as at 30 June 2014 and 31 December 2013:

	30 June 2014		*31 December 2013*	
	Loans net of allowance for impairment	*Share in the total loans, %*	*Loans net of allowance for impairment*	*Share in the total loans, %*
Pledge of real property (mortgage) and title	25,085	51.9	28,006	74.4
Other	10,507	21.7	–	–
Uncollateralized part of the loans	12,786	26.4	9,619	25.6
Total loans to customers	**48,378**	**100.0**	**37,625**	**100.0**

The amounts shown in the table above represent the carrying amount of the customer loan portfolio, and do not necessarily represent the fair value of the collateral.

As at 30 June 2014, pledge of real property (mortgage) in the amount of EUR 5,138 thousand (31 December 2013: EUR 5,119 thousand) was not registered but the surety bank placed a short-term interest-free collateral deposit with IIB prior to the registration of mortgage in Mongolia (Note 16).

(Thousands of Euros)

11. Loans to customers (continued)

Concentration of loans to customers

As at 30 June 2014, customer loans to five borrowers (31 December 2013: four borrowers) with the total amount of loans to each of the borrowers exceeding 10% of total loans to customers were recorded on the Group's balance sheet. As at 30 June 2014, these loans totaled EUR 48,766 thousand (31 December 2013: EUR 37,625 thousand) and allowances in the amount of EUR 3,589 thousand (31 December 2013: no allowances) have been made for them.

Analysis of loans to customers by industry

The Group issued loans to borrowers operating in the following industries:

	30 June 2014	*31 December 2013*
Construction of buildings	20,718	20,188
Communications	10,507	–
Food and beverage	9,434	9,522
Specialized construction	8,107	7,915
Leasing	2,940	–
Other	261	–
	51,967	**37,625**
Less: allowance for loan impairment	(3,589)	–
Total loans to customers	**48,378**	**37,625**

12. Inventories – real estate objects

In January 2013, as part of efforts taken in respect of distressed loans, the Group acquired from the borrower real estate objects (finished apartments) held for resale.

For the six months ended 30 June 2014, the Group sold certain apartments for EUR 579 thousand (for the six months ended 30 June 2013: no sales). The cost of apartments sold for the six months of 2014is EUR 609 thousand (for the six months ended 30 June 2013: no sales).

As at 30 June 2014, the carrying amount of unsold apartments was EUR 4,203 thousand (31 December 2013: EUR 4,929 thousand).

13. Other assets and liabilities

Other assets comprise:

	30 June 2014	*31 December 2013*
Other accounts receivable	8,152	8,109
Advance payments and future period expenses	156	1,111
Deferred tax assets	2	2
	8,310	**9,222**
Less: allowance for impairment of accounts receivable	(109)	(411)
Other assets	**8,201**	**8,811**

The movements in other impairment allowance are as follows:

	30 June 2014	*31 December 2013*
Allowance at 1 January	**411**	**280**
Net (reversal)/charge for the period	(297)	152
Change in allowance resulting from changes in exchange rates	(5)	(21)
Allowance at the end of the period	**109**	**411**

(Thousands of Euros)

13. Other assets and liabilities (continued)

Other liabilities comprise:

	30 June 2014	*31 December 2013*
Other accounts payable	3,817	3,912
Settlements with employees	817	682
Liabilities to transfer ownership of apartments	575	690
Other	372	557
Other liabilities	**5,581**	**5,841**

14. Due to banks and other financial institutions

Due to banks and other financial institutions comprise:

	30 June 2014	*31 December 2013*
Correspondent accounts of banks without rating	–	1
Term deposits of banks:		
Credit rating from BBB- to BBB+	30,127	35,021
Credit rating from BB- to BB+	8,221	–
No credit rating	–	9,445
Repurchase agreements payable	13,716	–
Collateral deposit:		
No credit rating	5,138	5,119
Due to banks and other financial institutions	**57,202**	**49,586**

The Group monitors repurchase agreements and the cost of collateral on a daily basis and pledges/returns additional collateral, if necessary.

Collateral deposit is provided by a Mongolian surety bank for a short term required to register mortgage in Mongolia (Note 11). Collateral deposit does not assume any accrual of interest expense and is placed by the Group on the correspondent account with the Mongolian bank without credit rating (Note 5).

Concentration of deposits from banks and other financial institutions

As at 30 June 2014, the Group has one counterparty accounting for over 20% of the Group's total deposits from banks and other financial institutions (31 December 2013: one counterparty) in the amount of EUR 13,716 thousand (31 December 2013: 10,001 thousand).

15. Long-term loans from banks

As at 30 June 2014, a long-term loan from a bank in the amount of EUR 18,224 thousand maturing in April 2016 (31 December 2013: no loans) was recorded on the Bank's balance sheet.

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(Thousands of Euros)

16. Debt securities issued

On 29 April 2014, the Group issued RUB-denominated bonds, series 01, in the amount of RUB 2 billion (EUR 40,441 thousand) maturing on the 3,640th day after the first day of placement. The coupon rate on bonds was set at 9.9% p.a. and is payable twice a year, with first coupon payment to be paid on 28 October 2014. As at 30 June 2014, the amount of RUB-denominated bonds issued recorded at amortized cost was EUR 43,825 thousand. The Group used the proceeds from the offerings also for expanding its loan portfolio.

On 30 April 2014, as part of placement of RUB-denominated bonds the Bank entered into a cross-currency interest rate swap for the purpose of regulating currency risks (Note 7).

17. Equity

Subscribed and paid-in capital

The Bank's subscribed capital amounts to EUR 1,300,000 thousand which represents the Bank's equity stated in the Agreement on the Establishment of the International Investment Bank. The Bank's member countries make contributions to the Bank's equity pursuant to their shares stipulated in the Agreement.

As at 30 June 2014, unpaid portion of the Bank's subscribed capital in the amount of EUR 1,042,391 thousand (31 December 2013: EUR 1,058,685 thousand) is the amount of contributions by the Bank's member countries which have not been made yet and the amount of unallocated equity contributions totaling EUR 296,900 thousand (31 December 2013: EUR 296,900 thousand).

On 27 February 2014, the Government of the Slovak Republic fulfilled its obligations to ensure additional capitalization of the Bank assumed at the 99th regular meeting of the Bank's Council. Slovakia's additional contribution to the Bank's share capital in the amount of EUR 6,294 thousand was credited to the Bank's account.

On 8 May 2014, the Government of the Russian Federation partially fulfilled its obligations to ensure additional capitalization of the Bank. Russia's additional contribution to the Bank's share capital in the amount of EUR 10,000 thousand was credited to the Bank's account.

As a result, paid-in capital of International Investment Bank amounted to EUR 257,609 thousand, and shares of Slovakia and Russia in the Bank's paid-in capital as at 30 June 2014 increased to 8.34% and 58.24%, respectively.

18. Contingencies and loan commitments

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Group. In accordance with the Agreement on the establishment of the Bank, its assets (irrespective of their location) enjoy immunities from any administrative and legal claims.

The Group takes all necessary legal and other actions to collect the bad debt and to realize respective repossession rights. When the estimated amount of costs resulting from the Group's further actions to collect bad debt and/or realize respective repossession rights is higher than the amount collected and also when the Group holds necessary and sufficient documents and/or regulations issued by the governmental authorities, it decides to write off such bad debt against the respective provision.

Insurance

The Group obtained insurance coverage for a group of buildings, equipment and car park as well as liability insurance against damages caused by operating assets of a hazardous nature. However, the Group did not obtain insurance coverage related to temporarily discontinued operations or the Group's obligations to third parties.

(Thousands of Euros)

18. Contingencies and loan commitments (continued)

Commitments and contingencies

At any time the Group has outstanding commitments to extend loans. These commitments take the form of approved loan agreements.

As at 30 June 2014, commitments and contingencies of the Group comprised undrawn loan facilities in the amount of EUR 27,240 thousand (31 December 2013: EUR 53,466 thousand). The amounts of commitments assume that amounts are fully withdrawn.

19. Leases

Group as lessor

The Group provides its real estate for operating leases. As at 30 June 2014, the Group's non-cancellable operating lease rentals amount to EUR 3,285 thousand (31 December 2013: EUR 8,281 thousand) and will be settled within 1 year.

20. Interest income and interest expense

Net interest income comprises:

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2014	***2013***	***2014***	***2013***
Deposits with banks and other financial institutions, including cash and cash equivalents	582	930	1,132	1,772
Available-for-sale investment securities and held-to-maturity investment securities	1,530	1,029	2,583	1,823
Long-term loans to banks	1,139	–	1,995	–
Loans to customers	940	1,172	1,781	3,219
Interest income	**4,191**	**3,131**	**7,491**	**6,814**
Debt securities issued	(723)	–	(723)	–
Due to banks and other financial institutions	(266)	(125)	(378)	(192)
Current customer accounts	(36)	(16)	(65)	(28)
Other borrowed funds	(40)	(5)	(43)	(5)
Interest expenses	**(1,065)**	**(146)**	**(1,209)**	**(225)**
Net interest income	**3,126**	**2,985**	**6,282**	**6,589**

Interest income accrued on impaired loans issued for the six months ended 30 June 2014 amounted to EUR 192 thousand (for the six months ended 30 June 2013: EUR 105 thousand).

21. Net gain/(loss) from foreign currencies

Net gains less losses from foreign currencies comprise:

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2014	***2013***	***2014***	***2013***
Net (loss)/gain from revaluation of assets and liabilities in foreign currencies	(1,773)	(1,433)	(2,828)	(573)
Net gain/(loss) from trading in foreign currencies	2,792	87	2,630	(121)
Net gain/(loss) from foreign currencies	**1,019**	**(1,346)**	**(198)**	**(694)**

(Thousands of Euros)

22. General and administrative expenses

General and administrative expenses comprise:

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2014	***2013***	***2014***	***2013***
Employee compensations and employment taxes	2,469	2,812	5,454	4,783
IT-expenses, inventory and occupancy expenses	282	471	725	802
Depreciation of property and equipment	341	187	684	502
Expenses related to business travel, representative and accommodation expenses	420	379	689	636
Consulting and audit expenses	46	250	84	355
Other	352	396	713	580
General and administrative expenses	**3,910**	**4,495**	**8,349**	**7,658**

23. Risk management

Risk management framework

The Group’s risk management policy is based on the conservative assessments and is mainly aimed at mitigation of adverse impact of risks on the Bank’s results, i.e. on the safety and reliability of fund allocation while maintaining the reasonable level of profitability. The prudent assessment assumes that the Bank does not enter into potential transactions with high or undeterminable risk level, regardless of profitability.

The Group's risk management activities are intended to:

- identify, analyze and manage risks faced by the Bank;
- establish ratios and limits that restrict level of the appropriate types of risks;
- monitor the level of the risk and its compliance with established limits;
- develop and implement regulative and methodological documents as well as software applications that ensure the professional risk management for the bank transactions.

Risk management policies and procedures are reviewed regularly to reflect changing situation on the financial markets.

The risk monitoring system comprises:

- Establishing limits to assume risks based on the respective risk assessment;
- Exercising control over the Group's exposure by means of compliance with the established limits, regular assessment of the Group's risk exposure, and internal audit of risk management systems.

The Group identifies the following major risks inherent in its various activities:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

(Thousands of Euros)

23. Risk management (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its counterparty fails to discharge its contractual financial obligations to the Group, or discharged them in an untimely fashion or not in full. Credit risk arises principally from loans and advances to customers and other banks and other on and off balance sheet credit exposures. For risk reporting purposes, the Group considers and consolidates all elements of credit risk exposures such as individual borrower or counterparty default risk.

Portfolio of long-term loans to banks and other financial institutions and customers (less allowance for impairment) by type of collateral is analyzed in Notes 10 and 11.

Credit quality per class of financial assets

The assessment of credit quality of assets is based on the qualitative and quantitative assessment of credit risk.

Deposit contracts with banks and other financial institutions are concluded with counterparties with acceptable credit ratings assigned by such internationally recognized rating agencies as Standard & Poor’s, Fitch and Moody’s.

Assessment of credit quality of loans is based on a 5 grade system of risk factor categories: standard, sub-standard, doubtful, impaired and uncollectible. The risk factor category is assigned on the basis of the assessment of the client's financial position, payment discipline, credit history, compliance with business plan and production discipline, additional characteristics such as management quality, compliance with other terms and conditions of the loan agreement, strength of positions in the market, competitive potential, administrative resources, industry specifics and country rating.

As at 30 June 2014 and 31 December 2013, there was no evidence of impairment of long-term loans to banks and all such loans were classified as standard.

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(Thousands of Euros)

23. Risk management (continued)

Credit risk (continued)

The following table provides information on the credit quality of long-term loans to banks (Note 10) and loans to customers (Note 11) as at 30 June 2014:

	Loan amount	*Impairment*	*Loan amount, including impairment*	*Impairment to loan amount ratio, %*
Long-term loans to banks without any signs of impairment identified				
Standard loans				
- *Russian Federation*	54,846	–	54,846	–
- *Mongolia*	26,562	–	26,562	–
- *Socialist Republic of Vietnam*	15,160	–	15160	–
	96,568	**–**	**96,568**	**–**
Loans to customers without any signs of impairment identified				
Standard loans				
- *Mongolia*	23,812	–	23,812	–
- *Republic of Bulgaria*	16,847	–	16,847	–
- *Romania*	2,940	–	2,940	–
Impaired loans to customers				
Overdue for up to 90 days				
- *Slovak Republic*	8,368	(3,589)	4,779	43
	51,967	**(3,589)**	**48,378**	**7**
Total loans	**148,535**	**(3,589)**	**130,896**	**2**

The following table provides information on the credit quality of long-term loans to banks (Note 10) and loans to customers (Note 11) as at 31 December 2013:

	Loan amount	*Impairment*	*Loan amount, including impairment*	*Impairment to loan amount ratio, %*
Long-term loans to banks without any signs of impairment identified				
Standard loans				
- *Mongolia*	23,522	–	23,522	–
- *Slovak Republic*	20,058	–	20,058	–
- *Republic of Bulgaria*	15,215	–	15,215	–
	58,795	**–**	**58,795**	**–**
Loans to customers without any signs of impairment identified				
Standard loans				
- *Mongolia*	23,935	–	23,935	–
- *Slovak Republic*	7,915	–	7,915	–
- *Republic of Bulgaria*	5,775	–	5,775	–
	37,625	**–**	**37,625**	**–**
Total loans	**96,420**	**–**	**96,420**	**–**

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Renegotiated loans are continuously reviewed to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual impairment assessment, calculated using the loan's original effective interest rate.

(Thousands of Euros)

23. Risk management (continued)

Liquidity risk

Liquidity risk is the risk of loss resulting from the Group's inability to meet its payment obligations in full when they fall due under normal and stress circumstances. Liquidity risk results from improper balance between the Group's financial assets and financial liabilities by period and amount (including due to untimely discharge of its financial obligations by one or several counterparties of the Group) and/or an unforeseen need of immediate and simultaneous discharge of its financial obligations.

The Group's approach to management of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or taking risk of damage to the Group's reputation.

In the course of liquidity management the Group's management relies on the following principles:

- liquidity has priority over return;
- continuous liquidity management;
- distribution of authorities between management bodies and divisions;
- planning and limitation of liquidity consistent with the size, nature of business and financial position of the Group;
- forecasting of cash flows.

Liquidity risk is managed to ensure the Group's ability to meet its financial obligations in full and on a timely basis. For this purpose the Group:

- determines an acceptable liquidity level;
- continuously monitors liquidity;
- takes measures to maintain liquidity at the acceptable level;
- in case of liquidity crisis performs a set of procedures for its recovery.

The table below shows the contractual expiry by maturity of the Group's off-balance credit-related commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

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(Thousands of Euros)

23. Risk management (continued)

Liquidity risk (continued)

The following table provides an analysis of assets and liabilities on the basis of the remaining period from the reporting date to the contractual maturity date:

	30 June 2014								*31 December 2013*						
	On demand and less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*No stated maturity*	*Overdue*	*Total*	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*No stated maturity*	*Total*
Assets															
Cash and cash equivalents	34,953	–	–	–	–	–	–	**34,953**	20,045	–	–	–	–	–	**20,045**
Deposits with banks and other financial institutions	7,437	28,891	12,207	–	–	–	–	**48,535**	–	23,112	18,378	–	–	–	**41,490**
Financial assets at fair value through profit or loss	–	–	–	3,824	–	–	–	**3,824**	–	97	54	–	–	–	**151**
Available-for-sale investment securities	231	785	11,378	49,255	84,349	–	–	**145,998**	150	674	1,754	44,061	80,420	2,817	**129,876**
Held-to-maturity investment securities	119	5,855	–	–	–	–	–	**5,974**	117		5,793				**5,910**
Long-term loans to banks	–	480	5,693	90,395		–	–	**96,568**	–	374	2014	56,407		–	**58,795**
Loans to customers	–	320	11,693	29,714	1,892	–	4,759	**48,378**	–	430	7,832	27,463	1,900	–	**37,625**
Other assets	237	4,881	2,921	2	–	–	–	**8,041**	472	4,634	2,800	–	–	–	**7,906**
Total assets	**42,977**	**41,214**	**43,892**	**173,190**	**86,241**	**-**	**4,759**	**392,273**	**20,784**	**29,321**	**38,625**	**127,931**	**82,320**	**2,817**	**301,798**
Liabilities															
Due to banks and other financial institutions	(37,054)	(15,387)	(4,761)	–	–	–	–	**(57,202)**	(24,566)	(25,020)	–	–	–	–	**(49,586)**
Current customer accounts	(4,145)	–	–	–	–	–	–	**(4,145)**	(3,313)	–	–	–	–	–	**(3,313)**
Financial liabilities at fair value through profit or loss	(47)	(546)	(87)	–	–	–	–	**(680)**	–	–	–	–	–	–	–
Long-term loans from banks	(85)	–	–	(18,139)	–	–	–	**(18,224)**	–	–	–	–	–	–	–
Debt securities issued	–	–	(738)	(43,087)	–	–	–	**(43,825)**	–	–	–	–	–	–	–
Other liabilities	(1,527)	(281)	(3,773)	–	–	–	–	**(5,581)**	(727)	(2,944)	(1,619)	–	–	–	**(5,290)**
Total liabilities	**(42,858)**	**(16,214)**	**(9,359)**	**(61,226)**	**–**	**–**	**–**	**(129,657)**	**(28,606)**	**(27,964)**	**(1,619)**	**–**	**–**	**–**	**(58,189)**
Net position	**119**	**25,000**	**34,533**	**111,964**	**86,241**	–	**4,759**	**262,616**	**(7,822)**	**1,357**	**37,006**	**127,931**	**82,320**	**2,817**	**243,609**
Accumulated net position	**119**	**25,119**	**59,652**	**171,616**	**257,857**	**257,857**	**262,616**		**(7,822)**	**(6,465)**	**30,541**	**158,472**	**240,792**	**243,609**	
Off-balance credit-related commitments	**–**	**(22,240)**	**(5,000)**	**–**	**–**	**–**	**–**	**(27,240)**	**–**	**(48,466)**	**(5,000)**	**–**	**–**	**–**	**(53,466)**

(Thousands of Euros)

23. Risk management (continued)

Market risk

Market risk is the risk that the Group shall incur losses due to adverse fluctuations in market rate of financial instruments, interest rates, foreign exchanges, and securities' prices. Market risk includes equity risk on securities, interest rate risk and currency risk.

The Group is exposed to market risk due to open positions in currency. Equity risk on securities arises from open positions in debt and equity instruments, which are exposed to general and specific market changes.

Currency risk and price risk

Currency risk is the risk of loss resulting from adverse changes in exchange rates with respect to the Group's open positions in foreign currencies.

The Group applies a VaR methodology to assess currency risks. VaR is a method used in measuring maximum risk of the Bank, i.e. the level of losses on a certain position in relation to a currency, which shall not be exceeded at a given confidence level and over a specified time horizon.

The Group uses an assumption that the accuracy of assessment of maximum value at risk (confidence level) is 99%, and the time horizon is 10 days.

At estimating value at risk, the Bank uses a parameter method, which allows assessing the volatility of yield on the basis of the most current market data.

The choice of a respective approach to value at risk estimation is made on the basis of data on statistical analysis of changes in exchange rates.

Selection period used by the Group for modeling purposes is 250 days. In order to monitor the accuracy of assessment of above mentioned risks, the Group carries out regular testing (back-testing) based on historical data, which allows evaluating the compliance of risk assessment model with the actual market situation.

As at 30 June 2014, final estimation of value at risk with regard to currency risks assumed by the Group was EUR 772 thousand (31 December 2013: EUR 1,211 thousand).

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(Thousands of Euros)

23. Risk management (continued)

Market risk (continued)

The Group's exposure to currency risk as at 30 June 2014 and 31 December 2013 is presented below:

	30 June 2014					*31 December 2013*				
	EUR	*USD*	*RUB*	*Other currencies*	*Total*	*EUR*	*USD*	*RUB*	*Other currencies*	*Total*
Assets										
Cash and cash equivalents	25,906	3,360	324	5,363	**34,953**	9,222	331	5,170	5,322	**20,045**
Deposits with banks and other financial institutions	28,483	19,177	875	–	**48,535**	23,112	16,015	2,363	–	**41,490**
Available-for-sale investment securities	75,412	63,503	7,083	–	**145,998**	102,911	22,940	4,025	–	**129,876**
Held-to-maturity investment securities	–	5,974	–	–	**5,974**	–	5,910	–	–	**5,910**
Long-term loans to banks	75,742	20,826	–	–	**96,568**	41,285	17,510	–	–	**58,795**
Loans to customers	48,378	–	–	–	**48,378**	37,625	–	–	–	**37,625**
Other assets	144	3	7,975	79	**8,201**	590	7	7,309	–	**7,906**
	254,065	**112,843**	**16,257**	**5,442**	**388,607**	**214,745**	**62,713**	**18,867**	**5,322**	**301,647**
Liabilities										
Due to banks and other financial institutions	(168)	(48,605)	(3,291)	(5,138)	**(57,202)**	(19,035)	(25,432)	–	(5,119)	**(49,586)**
Current customer accounts	(3,987)	(158)	–	–	**(4,145)**	(3,162)	(151)	–	–	**(3,313)**
Long-term loans from banks	–	(18,224)	–	–	**(18,224)**	–	–	–	–	–
Debt securities issued	–	–	(43,825)	–	**(43,825)**	–	–	–	–	–
Other liabilities	(3,035)	(176)	(2,329)	(41)	**(5,581)**	(3,064)	(187)	(1,999)	(40)	**(5,290)**
	(7,190)	**(67,163)**	**(49,445)**	**(5,179)**	**(128,977)**	**(25,261)**	**(25,770)**	**(1,999)**	**(5,159)**	**(58,189)**
Net balance sheet position	**246,875**	**45,680**	**(33,188)**	**263**	**259,630**	**189,484**	**36,943**	**16,868**	**163**	**243,458**
Derivative financial instruments										
Claims	22,900	–	42,933	–	**65,833**	14,400	–	–	–	**14,400**
Liabilities	(39,109)	(18,033)	(5,547)	–	**(62,689)**	–	(14,249)	–	–	**(14,249)**
Net balance sheet position including derivative financial instruments	**230,666**	**27,647**	**4,198**	**263**	**262,774**	**203,884**	**22,694**	**16,868**	**163**	**243,609**

(Thousands of Euros)

24. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. While Management has used available market information in estimating the fair value of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

	Valuation date	*Level 1 30 June 2014*	*Level 2 30 June 2014*	*Level 3 30 June 2014*	*Total 30 June 2014*
Assets measured at fair value					
Derivative financial assets	30 June 2014	–	3,824	–	**3,824**
Government bonds of member countries and bonds of regional governments	30 June 2014	25,924	3,539	–	**29,463**
Corporate bonds	30 June 2014	116,535	–	–	**116,535**
Investment property	31 December 2013	–	–	52,488	**52,488**
Property and equipment	31 December 2013	–	–	50,897	**50,897**
Liabilities measured at fair value					
Derivative financial liabilities	30 June 2014	–	680	–	**680**
Assets for which fair values are disclosed					
Cash and cash equivalents	30 June 2014	–	–	34,953	**34,953**
Deposits with banks and other financial institutions	30 June 2014	–	–	48,535	**48,535**
Held-to-maturity investment securities	30 June 2014	5,090	–	–	**5,090**
Long-term loans to banks	30 June 2014	–	–	96,568	**96,568**
Loans to customers	30 June 2014	–	–	48,378	**48,378**
Liabilities for which fair values are disclosed					
Due to banks and other financial institutions	30 June 2014	–	–	57,202	**57,202**
Current customer accounts	30 June 2014	–	–	4,145	**4,145**
Long-term loans from banks	30 June 2014	–	18,224	–	**18,224**
Debt securities issued	30 June 2014	43,825	–	–	**43,825**

(Thousands of Euros)

24. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2013:

	Valuation date	*Level 1 2013*	*Level 2 2013*	*Level 3 2013*	*Total 2013*
Assets measured at fair value					
Derivative financial assets	31 December 2013	–	151	–	**151**
Government bonds of member countries and bonds of regional governments	31 December 2013	35,378	–	–	**35,378**
Corporate bonds	31 December 2013	91,681	–	–	**91,681**
Quoted equity instruments	31 December 2013	2,817	–	–	**2,817**
Investment property	31 December 2013	–	–	53,480	**53,480**
Property and equipment	31 December 2013	–	–	50,000	**50,000**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2013	–	–	20,045	**20,045**
Deposits with banks and other financial institutions	31 December 2013	–	–	41,490	**41,490**
Held-to-maturity investment securities	31 December 2013	5,928	–	–	**5,928**
Long-term loans to banks	31 December 2013	–	–	58,795	**58,795**
Loans to customers	31 December 2013	–	–	37,625	**37,625**
Liabilities for which fair values are disclosed					
Due to banks and other financial institutions	31 December 2013	–	–	49,586	**49,586**
Current customer accounts	31 December 2013	–	–	3,313	**3,313**

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(Thousands of Euros)

24. Fair value of financial instruments (continued)

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying amount at 30 June 2014 (unaudited)	*Fair value at 30 June 2014 (unaudited)*	*Unrecognized gain/(loss) for 6 months 2014 (unaudited)*	*Carrying amount at 31 December 2013*	*Fair value at 31 December 2013*	*Unrecognized gain/(loss) for 2013*
Financial assets						
Cash and cash equivalents	34,953	34,953	–	20,045	20,045	–
Deposits with banks and other financial institutions	48,535	48,535	–	41,490	41,490	–
Held-to-maturity investment securities	5,974	5,090	(884)	5,910	5,928	18
Long-term loans to banks	96,568	96,568	–	58,795	58,795	–
Loans to customers	48,378	48,378	–	37,625	37,625	–
Financial liabilities						
Due to banks and other financial institutions	57,202	57,202	–	49,586	49,586	–
Current customer accounts	4,145	4,145	–	3,313	3,313	
Long-term loans from banks	18,224	18,224	–	–	–	
Debt securities issued	43,825	43,825	–	–	–	–
Total unrecognized change in unrealized fair value			**(884)**			**18**

Methodologies and assumptions

The methodologies and assumptions used to determine fair values of those financial instruments which are not recorded at fair value in these interim condensed consolidated financial statements are in line with those described in the Bank's financial statements for the year ended 31 December 2013.

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(Thousands of Euros)

25. Segment information

For management purposes, the Group identifies the following three operating segments based on its lines of services:

Credit investment activity	Credit investment banking services include long-term corporate and interbank financing;
Treasury	Operations in financial markets, transactions with securities, derivative financial instruments, foreign currency and liquidity management;
Other operations	Operational leasing services, the Bank's Legal Department and subsidiary activities on credit portfolio rehabilitation, other operations.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. The following table presents revenue, profit, assets and liabilities of the Group's operating segments:

For the six-month period ended 30 June 2014	*Credit investment activity*	*Treasury*	*Other operations*	*Total*
Income				
External customers				
Interest income	3,776	3,648	67	**7,491**
Net gains from available-for-sale investment securities	–	4,650	–	**4,650**
Income from lease of investment property	–	–	4,091	**4,091**
Other segment income	31	–	631	662
Total income	**3,807**	**8,298**	**4,789**	**16,894**
Interest expenses	(297)	(912)	–	(1,209)
Net losses from trading in foreign currencies	–	(198)	–	(198)
Allowance for loans impairment	(3,574)	–	–	(3,574)
Other segment expenses	(8)	(15)	(809)	(832)
Segment performance results	**(72)**	**7,136**	**4,474**	**11,081**
Other unallocated expense				**(8,349)**
Profit for the year				**2,732**
Segment assets as at 30 June 2014	144,946	239,284	115,789	**505,019**
Segment liabilities as at 30 June 2014	22,416	101,660	5,581	**129,657**

(Thousands of Euros)

25. Segment information (continued)

For the six-month period ended 30 June 2013	*Credit investment activity*	*Treasury*	*Other operations*	*Total*
Income				
External customers				
Interest income	3,219	3,595	–	**6,814**
Net gains from available-for-sale investment securities	–	5,562	–	**5,562**
Income from lease of investment property	–	–	3,955	**3,955**
Other segment income	983	–	68	**1,051**
Total income	**4,202**	**9,157**	**4,023**	**17,382**
Interest expenses	–	(225)	–	**(225)**
Net losses from trading in foreign currencies	–	(694)	–	**(694)**
Other segment expenses	–	(36)	(110)	**(146)**
Segment performance results	**4,202**	**8,202**	**3,913**	**16,317**
Other unallocated expense				**(7,658)**
Profit for the period				**8,659**
Segment assets as at 30 June 2013	100,732	183,307	115,301	**399,340**
Segment liabilities as at 30 June 2013	–	38,552	6,015	**44,567**

As at 30 June 2014, the Bank had one counterparty with lease operations income exceeding 20% of total Bank's income (30 June 2013: one). As at 30 June 2014, income from this counterparty amounted to EUR 2,832 thousand (30 June 2013: EUR 2,712 thousand).

Geographical information

Allocation of the Group's revenue from transactions with external customers and non-current assets based on the location of these customers and assets for the six-months ended 30 June 2014 and 30 June 2013 is presented in the tables below:

	For the six-month period ended 30 June							
	2014				*2013*			
	Russia	*Other member countries*	*Other countries*	*Total*	*Russia*	*Other member countries*	*Other countries*	*Total*
Interest income from external customers	3,355	3,567	568	**7,491**	3,977	2,438	399	**6,814**
Income from lease of investment property	4,091	–	–	**4,091**	3,955	–	–	**3,955**
Revenues from sales of inventory	579	–	–	**579**	–	–	–	**–**
Non-current assets	103,385	–	–	**103,385**	103,480	–	–	**103,480**

Non-current assets include property and equipment and investment property.

(Thousands of Euros)

25. Segment information (continued)

Geographical information (continued)

The geographical concentration of the Group's financial assets and liabilities as at 30 June 2014 and 31 December 2013 is presented below:

	30 June 2014									
	Russian Federation	*Republic of Bulgaria*	*Romania*	*Slovak Republic*	*Republic of Cuba*	*Mongolia*	*Socialist Republic of Vietnam*	*Czech Republic*	*Other countries*	*Total*
Assets:										
Cash and cash equivalents	1,026	–	–	–	–	5,138	–	12,002	16,787	**34,953**
Deposits with banks and other financial institutions	29,358	–	–	–	–	18,445	–	–	732	**48,535**
Financial assets at fair value through profit or loss	3,824	–	–	–	–	–	–	–	–	**3,824**
Investment securities:										
- available-for-sale, owned by the Bank	97,460	2,232	3,539	2,083	–	1,738	–	5,863	15,148	**128,063**
- available-for-sale, pledged as collateral under sale and repurchase agreements	17,935	–	–	–	–	–	–	–	–	**17,935**
- held-to-maturity	–	5,974	–	–	–	–	–	–	–	**5,974**
Long-term loans to banks less allowances for impairment	54,846	–	–	–	–	26,562	15,160	–	–	**96,568**
Loans to customers less allowances for impairment	–	16,847	2,940	4,779	–	23,812	–	–	–	**48,378**
Assets	**204,449**	**25,053**	**6,479**	**6,862**	**–**	**75,695**	**15,160**	**17,865**	**32,667**	**384,230**
Liabilities:										
Due to banks and other financial institutions	33,585	4,762	–	–	–	5,138	–	–	13,717	**57,202**
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–	680	**680**
Long-term loans from banks	18,224	–	–	–	–	–	–	–	–	**18,224**
Debt securities issued	43,825	–	–	–	–	–	–	–	–	**43,825**
Liabilities	**95,634**	**4,762**	**–**	**–**	**–**	**5,138**	**–**	**–**	**14,397**	**119,931**

(Thousands of Euros)

25. Segment information (continued)

Geographical information (continued)

	31 December 2013									
	Russian Federation	***Republic of Bulgaria***	***Romania***	***Slovak Republic***	***Republic of Cuba***	***Mongolia***	***Socialist Republic of Vietnam***	***Czech Republic***	***Other countries***	***Total***
Assets										
Cash and cash equivalents	5,440	–	–	6,500	–	5,119	–	–	2,986	**20,045**
Deposits with banks and other financial institutions	25,475	–	–	–	–	16,015	–	–	–	**41,490**
Financial instruments at fair value through profit or loss	–	–	–	–	–	–	–	–	151	**151**
Investment securities:										
- available-for-sale	61,673	7,712	12,324	–	–	1,679	–	–	46,488	**129,876**
- held-to-maturity	–	5,910	–	–	–	–	–	–	–	**5,910**
Long-term loans to banks and other financial institutions less allowances for impairment	20,058	–	–	–	–	23,522	15,215	–	–	**58,795**
Loans to customers less allowances for impairment	–	5,775	–	7,915	–	23,935	–	–	–	**37,625**
Assets	**112,646**	**19,397**	**12,324**	**14,415**	**–**	**70,270**	**15,215**	**–**	**49,625**	**293,892**
Liabilities										
Due to banks and other financial institutions	35,021	9,446	–	–	–	5,119	–	–	–	**49,586**
Liabilities	**35,021**	**9,446**	**–**	**–**	**–**	**5,119**	**–**	**–**	**–**	**49,586**

(Thousands of Euros)

26. Offsetting of financial instruments

The table below shows financial assets offset against financial liabilities in the consolidated statement of financial position, as at 30 June 2014 and 31 December 2013 as well as the effect of enforceable master netting agreements and similar arrangements that do not result in an offset in the consolidated statement of financial position:

30 June 2014	*Gross amount of recognized financial assets*	*Gross amount of recognized financial liabilities set off in the statement of financial position*	*Net amount of financial assets presented in the statement of financial position*	*Related amounts not set off in the statement of financial position Cash collateral received*	*Net amount*
Financial assets					
Cash and cash equivalents	34,953	–	34,953	(5,138)	**29,815**
Total	**34,953**	**–**	**34,953**	**(5,138)**	**29,815**
Financial liabilities					
Due to banks and other financial institutions	57,202	–	57,202	(5,138)	52,064
Total	**57,202**	**–**	**57,202**	**(5,138)**	**52,064**

31 December 2013	*Gross amount of recognized financial assets*	*Gross amount of recognized financial liabilities set off in the statement of financial position*	*Net amount of financial assets recognized in the statement of financial position*	*Related amounts not set off in the statement of financial position Cash collateral received*	*Net amount*
Financial assets					
Cash and cash equivalents	20,045	–	20,045	(5,110)	**14,926**
Total	**20,045**	**–**	**20,045**	**(5,119)**	**14,926**
Financial liabilities					
Due to banks and other financial institutions	49,586	–	49,586	(5,110)	44,467
Total	**49,586**	**–**	**49,586**	**(5,119)**	**44,467**

27. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions and settlements with related parties were carried out on conditions similar to those, which prevail in transactions between independent parties.

(Thousands of Euros)

27. Related party disclosures (continued)

The volumes of related party transactions, outstanding balances as at 30 June 2014 and 31 December 2013, and related expense and income for the six months 2014 and 2013 are as follows:

		30 June 2014		*31 December 2013*	
Consolidated statement of financial position	***Related party***	***Carrying amount***	***Average interest rate, %***	***Carrying amount***	***Average interest rate, %***
Other liabilities	Key management personnel	301	–	120	–

		For the six-month period ended 30 June	
		2014	*2013*
	Related party	***Income/ (expense)***	***Income/ (expense)***
Interest expense on current customer accounts	Key management personnel	(17)	(3)
Net interest expense after allowance for loan impairment		**(17)**	**(3)**
Operating loss		**(17)**	**(3)**
Employee benefits	Key management personnel	(734)	(463)
Compensation for travel expenses and medical insurance	Key management personnel	(71)	(106)
Operating expenses		**(805)**	**(569)**
Net loss for the period		**(822)**	**(572)**

28. Capital adequacy

Capital adequacy ratio is the most important financial indicator characterizing credibility of the credit institutions and is estimated as ratio of capital base to risk weighted assets expressed as a percentage. Approval of the capital adequacy ratio is the sole power of the Bank's Council.

The Basel Committee on Banking Regulations recommends maintaining the ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 30 June 2014, this minimum level was 8% (2013: 8%).

Besides, taking into account the Bank's status as the multilateral development institution and the structure of the Bank's member countries and respective decision of the Council, the capital adequacy ratio was set at the level of not less than 25% as of 30 June 2014 (2013: 25%).

From 2013 the Group monitors the capital adequacy ratio, computed in accordance with the Basel Capital Accord (commonly known as Basel II) as defined in the International Convergence of Capital Measurement and Capital Standards and Amendment to the Capital Accord to incorporate market risks.

(Thousands of Euros)

28. Capital adequacy (continued)

The following table shows the composition of the Group's capital position computed in accordance with the Basel Accord (Basel II), as of 30 June 2014 and 31 December 2013.

	30 June 2014	*31 December 2013*
Equity		
Tier 1 capital	336,296	317,373
Tier 2 capital	31,332	32,370
Total regulatory capital	**367,630**	**349,743**
Risk-weighted assets		
Credit risk	214,793	163,875
Market risk	124,692	117,431
Operational risk	46,227	60,585
Total risk-weighted assets	**385,712**	**341,891**
Total capital expressed as a percentage of risk-weighted assets, % ("capital adequacy ratio")	**95.31%**	**102.30%**
Total tier 1 capital expressed as a percentage of risk-weighted assets, % ("tier 1 capital ratio")-	**87.19%**	**92.83%**

29. Subsequent events

On 11 July 2014, the Government of the Republic of Bulgaria fulfilled its obligations over additional capitalization of the Bank. EUR 12,365 thousand were transferred to the Bank's accounts against additional contribution of the Republic of Bulgaria to the Bank's share capital. As a result, the paid-in capital of International Investment Bank amounted to EUR 269,973 thousand with increase of the share of the Republic of Bulgaria to 15.63%.

On 31 July 2014, the EU Council imposed sectoral sanctions against Russia. The preamble of the Decision of the EU Council of 31 July 2014 (paragraph 9) and Council Regulation (EU) No 833/2014 of 31 July 2014 (paragraph 5), which was developed based on the Decision, emphasize that the sanctions do not cover Russia-based institutions with international status established by intergovernmental agreements with Russia as one of the shareholders. Therefore, International Investment Bank is not subject to the restrictive measures.

(The end).