International Investment Bank

Interim condensed consolidated financial statements

Six months ended 30 June 2015

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Report on the 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 2015, the related interim condensed consolidated statements of income and comprehensive income for the six-month then ended, interim condensed consolidated statements of changes in equity and cash flows for the six-month then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting 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.

CJSC Ernst & Young Vneshaudit

20 August 2015

Moscow, Russia

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

(Thousands of euros)

	Note	*30 June 2015 (unaudited)*	*31 December 2014*
Assets			
Cash and cash equivalents	5	55,410	65,918
Deposits with banks and other financial institutions	6	59,840	34,371
Financial assets at fair value through profit or loss	7	674	311
Available-for-sale investment securities	8	70,790	24,973
Available-for-sale investment securities pledged under repurchase agreements	8	18,569	13,903
Held-to-maturity investment securities	9	95,291	81,000
Held-to-maturity investment securities pledged under repurchase agreements	9	33,873	42,634
Long-term loans to banks	10	129,657	132,032
Loans to customers	11	126,350	108,276
Inventories – real estate property		56	50
Investment property		52,890	52,879
Property and equipment		53,608	53,207
Other assets	12	4,917	1,978
Total assets		**701,925**	**611,532**
Liabilities			
Due to banks and other financial institutions	13	96,043	58,669
Financial liabilities at fair value through profit or loss		14,103	21,705
Current customer accounts		5,077	4,788
Long-term loans from banks		43,382	20,540
Debt securities issued	15	139,777	112,759
Other liabilities	12	4,030	3,656
Total liabilities		**302,412**	**222,117**
Equity	16		
Subscribed capital		1,300,000	1,300,000
Callable capital		(1,007,382)	(1,027,382)
Paid-in capital		**292,618**	**272,618**
Revaluation reserve for available-for-sale investment securities		(2,885)	(999)
Revaluation reserve for property and equipment		35,095	35,095
Foreign currency translation reserve		511	(224)
Retained earnings less net income for the period		72,925	78,687
Net income for the period		1,249	4,238
Total equity		**399,513**	**389,415**
Total equity and liabilities		**701,925**	**611,532**

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

Nikolay Kosov — Chairman of the Board

Eugeny Atanassov — Managing Director of the Financial Department

20 August 2015

The accompanying notes 1-27 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

(Thousands of euros)

	Note	*For the six-month period ended 30 June (unaudited)* 2015	2014
Financial result from continuing operations			
Interest income	19	12,139	7,491
Interest expenses	19	(7,607)	(1,209)
Net interest income		**4,532**	**6,282**
(Allowance)/reversal of allowance for impairment of loans to customers	11	(3,595)	(3,574)
Net interest income/(expense) after allowance for loan impairment		**937**	**2,708**
Fee and commission income		85	31
Fee and commission expense		(65)	(29)
Net fee and commission income		**20**	**2**
Net income from derivatives		14,060	2,630
Net loss from revaluation of assets and liabilities in foreign currencies		(9,916)	(2,828)
Net gain from available-for-sale investment securities		2,375	4,650
Income from lease of investment property		3,085	4,091
Revenue from sale of inventories		–	579
Other income/(expense)		53	51
Net non-interest income		**9,657**	**9,173**
Operating income		**10,614**	**11,883**
Reversal of allowance for impairment of other assets		–	1
General and administrative expenses	20	(8,375)	(8,349)
Cost of inventories sold		–	(609)
Other operating expenses		(990)	(194)
Operating expenses		**(9,365)**	**(9,151)**
Profit/(loss) before income tax		**1,249**	**2,732**
Income tax		–	–
Net income/(loss) for the period		**1,249**	**2,732**

The accompanying notes 1-27 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2015

(Thousands of euros)

		For the six-month period ended 30 June (unaudited)	
	Note	***2015***	***2014***
Net income/(loss) for the period		**1,249**	**2,732**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
Movements in unrealized (losses)/gains on available-for-sale investment securities		(1,886)	(850)
Translation differences		735	(186)
Net other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods		**(1,151)**	**(1,036)**
Other comprehensive (loss)/income		**(1,151)**	**(1,036)**
Total comprehensive (loss)/income for the period		**98**	**1,696**

The accompanying notes 1-27 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

(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 2014	**1,300,000**	**(1,058,685)**	**214**	**33,375**	**(1,219)**	**78,687**	**352,372**
Income 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**	**1,696**
Callable capital withdrawal (Note 16)	–	16,294	–	–	–	–	**16,294**
At 30 June 2014 (unaudited)	**1,300,000**	**(1,042,391)**	**(636)**	**33,375**	**(1,405)**	**81,419**	**370,362**
At 1 January 2015	**1,300,000**	**(1,027,382)**	**(999)**	**35,095**	**(224)**	**82,925**	**389,415**
Income for the period	–	–	–	–	–	1,249	**1,249**
Other comprehensive loss for the period	–	–	(1,886)	–	735	–	**(1,151)**
Total comprehensive (loss)/income	**–**	**–**	**(1,886)**	**–**	**735**	**1,249**	**98**
Callable capital withdrawal (Note 16)	–	20,000	–	–	–	(10,000)	**10,000**
At 30 June 2015 (unaudited)	**1,300,000**	**(1,007,382)**	**(2,885)**	**35,095**	**511**	**74,174**	**399,513**

The accompanying notes 1-27 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

(Thousands of euros)

	Note	For the six-month period ended 30 June (unaudited) 2015	2014
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		7,688	3,599
Interest, fees and commissions paid		(437)	(426)
Net receipts/(payments) from trading with foreign currencies		6,106	(384)
Cash flows from lease of investment property		3,085	4,091
General and administrative expenses		(6,760)	(6,813)
Other operating expenses on banking operations		(468)	(145)
Cash flows from operating activities before changes in operating assets and liabilities		**9,214**	**(78)**
Net (increase)/decrease in operating assets			
Deposits with banks and other financial institutions		(26,677)	(5,899)
Long-term loans to banks		4,301	(37,632)
Loans to customers		(21,140)	(13,939)
Other assets		(2,483)	658
Net increase/(decrease) in operating liabilities			
Due to banks and other financial institutions		34,510	6,429
Current customer accounts		274	831
Other liabilities		569	469
Net cash flows from operating activities		**(1,432)**	**(49,161)**
Cash flows from investing activities			
Purchase of available-for-sale investment securities		(150,049)	(241,980)
Proceeds from sale and redemption of available-for-sale investment securities		101,453	232,363
Proceeds from redemption of held-to-maturity investment securities		3,816	241
Investment in investment property		(12)	(21)
Acquisition of property and equipment		(1,044)	(573)
Net cash flows from investing activities		**(45,836)**	**(9,970)**
Cash flows from financing activities			
Raising long-term loans from banks		21,448	17,852
Redemption of long-term loans from banks		(327)	–
Issue of debt securities	15	51,633	40,441
Repayment and repurchase of debt securities issued		(45,239)	–
Contributions to paid-in capital	16	10,000	16,294
Net cash flows from financing activities		**37,515**	**74,587**
Effect of exchange rate changes on cash and cash equivalents		(755)	(548)
Net increase/(decrease) in cash and cash equivalents		**(10,508)**	**14,908**
Cash and cash equivalents, beginning		**65,918**	**20,045**
Cash and cash equivalents, ending	5	**55,410**	**34,953**

The accompanying notes 1-27 are an integral part of these interim condensed consolidated financial statements.

(Thousands of euros)

1. Principal activities

These interim condensed 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 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.

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, the International Investment Bank is not subject to the restrictive measures.

Despite the complicated international environment and persisting instability of the external operating environment in the country where the Bank's head office is located, the Group continues to expand its operations.

- The Bank continues to diversify the geography of its loan portfolio.
- In mid-January 2015, Fitch Ratings placed the IIB on Rating Watch Evolving. On 18 February 2015, the Bank's investment-grade credit rating was confirmed at BBB-, with a stable outlook. Recognizing the IIB's record of achievement, Fitch Ratings developed its ratings based on the Bank's internal performance.
- On 19 March 2015, the international credit rating agency Moody's changed the Bank's rating from A3 to Baa1 with a stable outlook. The downgrading resulted from the deterioration of the Bank's external environment and in particular the negative forecasts of economic growth in Russia (whose rating has been downgraded three times since August 2014) as well as in Bulgaria and Mongolia.
- On 14 April 2015, the first branch of the Bank, European Regional Subdivision, was opened in Bratislava (the Slovak Republic).
- In April 2015, the Bank issued a bond loan. The issue was made for RUB 3 billion.
- In May 2015, Hungary became a full-fledged member of the International Investment Bank having completed domestic procedures and made a contribution to the Bank's charter capital, with its share in the paid-in capital totaling EUR 20 million or 6.8%.

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 2015, %*	*31 December 2014, %*
Russian Federation	51.270	55.031
Republic of Bulgaria	14.423	15.481
Czech Republic	10.380	11.142
Slovak Republic	7.341	7.880
Hungary	6.835	–
Romania	6.307	6.769
Republic of Cuba	1.832	1.966
Socialist Republic of Vietnam	1.254	1.346
Mongolia	0.358	0.385
	100.000	**100.000**

(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 by giving 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 procedure of signing the Protocol on introducing changes to the Agreement on the Establishment of the IIB and the Statutes is at the closing stage (the Czech Republic, who announced that it would sign the Protocol soon, will close the procedure).

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, that do not typically exist in developed markets.

The accompanying interim condensed 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 2015 in accordance with International Accounting Standard 34 *Interim Financial Reporting*, approved by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all of 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 2014.

Subsidiaries

As at 30 June 2015, the Bank is a parent company of the Group which owns CJSC IIB Capital (a 100% subsidiary) established in 2012 to deal with issues related to the IIB activities in Russia including provision of trustee services to the Bank. 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. In June 2015, the subsidiary's charter capital was decapitalized in the amount of EUR 4,464 thousand.

(Thousands of euros)

2. Basis of preparation (continued)

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 are stated at fair value, and buildings and investment property are stated at revalued amounts.

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 the Russian ruble.

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

3. Changes in 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 2014, except for the adoption of new standards and interpretations as at 1 January 2015, noted below. The new standards, amendments and interpretations to the existing standards which have been issued but not yet effective were not adopted early by the Group.

The substance and effect of such changes are given below. Although these new standards and amendments apply for the first time in 2015, they do not have a material effect on the interim condensed separate financial statements of the Bank. The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments are effective for annual periods beginning on or after 1 July 2014. These amendments had no impact on the Group, since the Group has defined benefit plans with contributions from employees or third parties.

Annual IFRS improvements: 2010-2012

These improvements are effective from 1 July 2014 The Group has applied these amendments for the first time in these interim condensed consolidated statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

(Thousands of euros)

3. Changes in accounting policies (continued)

Annual IFRS improvements: 2010-2012 (continued)

The above approaches are the same used by the Group to define performance and service conditions that are vesting conditions. Thus, this amendment does not impact the accounting policy of the Group.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, if applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar";
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group doesn't disclose reconciliation of segment assets to total assets in these interim condensed consolidated financial statements as the reconciliation is not reported to the chief operating decision maker for the purpose of her decision making.

IFRS 13 Short-term Receivables and Payables – amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued with reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is not relevant to the Group as it does not receive any management services from other entities.

Annual IFRS improvements: 2011-2013

These improvements are effective from 1 July 2014. The Group has applied these amendments for the first time in these interim condensed consolidated statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not only joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

(Thousands of euros)

3. Changes in accounting policies (continued)

Annual IFRS improvements: 2011-2013 (continued)

The amendment is not relevant to the Bank and its subsidiaries, as the IIB Group is not a joint venture.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the exception provided in IFRS 13 for companies holding a group of financial assets and liabilities (portfolio) and managing this group as a whole.

IAS 40 Investment Property

The description of ancillary services in IAS 30 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

Meaning of 'Effective IFRS' – amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided that either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Group, since the Group is an existing IFRS preparer.

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 and 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 professional judgments are continuously evaluated and are based on management's 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 Group for the year ended 31 December 2014.

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 11 – Loans to customers.

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(Thousands of euros)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2015 (unaudited)	*31 December 2014*
Cash on hand	**108**	**392**
Nostro accounts with banks and other financial institutions		
Credit rating AAA	–	11
Credit rating from A- to A+	549	13,377
Credit rating from BBB- to BBB+	18,914	25
Credit rating from BB- to BB+	66	–
No credit rating	773	–
Total Nostro accounts with banks and other financial institutions	**20,302**	**13,413**
Short-term deposits with banks		
Term deposits with banks		
Credit rating from AA- to AA+	–	16,464
Credit rating from A- to A+	–	8,232
Credit rating from BBB- to BBB+	–	255
Credit rating from BB- to BB+	15,933	10,005
Credit rating from B- to B+	19,067	17,157
Total short-term deposits with banks	**35,000**	**52,113**
Cash and cash equivalents	**55,410**	**65,918**

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

6. Deposits with banks and other financial institutions

Deposits with banks and other financial institutions comprise:

	30 June 2015 (unaudited)	*31 December 2014*
Term deposits with banks up to 1 year		
Credit rating from A- to A+	2,304	–
Credit rating from BBB- to BBB+	–	3,479
Credit rating from BB- to BB+	2,400	432
Credit rating B- to B+	55,136	30,460
Deposits with banks and other financial institutions	**59,840**	**34,371**

Amounts due from the National Bank of the Republic of Cuba

	30 June 2015 (unaudited)	*31 December 2014*
Term deposits with the National Bank of the Republic of Cuba without credit rating	34,967	34,967
Less: allowance for impairment	(34,967)	(34,967)
Term deposits with the National Bank of the Republic of Cuba	**–**	**–**

Concentration of deposits with banks and other financial institutions

As at 30 June 2015, the Group had three counterparties (31 December 2014: 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.

(Thousands of euros)

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 an 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 tables below show the fair value of derivative financial instruments as at 30 June 2015 and 31 December 2014 and notional amounts of term contracts for the purchase and sale of foreign currency specifying the weighted average contractual exchange rates:

	30 June 2015 (unaudited)				
	Notional amount		***Weighted average exchange rate***	***Fair value***	
	Purchase	***Sale***		***Assets***	***Liabilities***
Swaps	RUB 6,282,720 thousand	EUR 114,873 thousand	–	674	11,256
Term foreign currency transactions	EUR 51,000 thousand	USD 60,335 thousand	1.18	–	2,847
Financial instruments at fair value through profit or loss				**674**	**14,103**

	31 December 2014				
	Notional amount		***Weighted average exchange rate***	***Fair value***	
	Purchase	***Sale***		***Assets***	***Liabilities***
Swaps	RUB 3,700,000 thousand	EUR 67,565 thousand	–	–	16,494
Term foreign currency transactions	RUB 1,930,050 thousand	EUR 30,000 thousand	64.34	–	4,155
	EUR 2,800 thousand	RUB 195,020 thousand	69.65	311	–
	EUR 33,000 thousand	USD 41,345 thousand	1.25	–	1,056
Financial instruments at fair value through profit or loss				**311**	**21,705**

Due to issuing RUB-denominated bond loans (Note 15), the Group concluded cross-currency interest rate swaps and a currency forward on an arm’s length basis with three Russian credit institutions. These swaps regulate the long-term currency risks of the Group. Payment netting is not applied to the parties’ obligations with respect to 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. Notional amounts reflect the volume of operations pending at the year end and do not reflect the credit risk.

As at 30 June 2015 and 31 December 2014, the Group has positions in the following types of derivatives:

Forwards

Forwards 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.

(Thousands of euros)

7. Financial assets at fair value through profit or loss (continued)

Foreign currency transactions (continued)

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 the 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.

8. Available-for-sale investment securities

Available-for-sale investment securities comprise the following:

	30 June 2015 (unaudited)	*31 December 2014*
Held by the Group		
Quoted debt securities		
Government bonds of member countries and bonds of regional governments		
Eurobonds issued by governments of member countries	69,832	11,202
Bonds of regional governments	–	3,395
Government bonds of member countries and bonds of regional governments	**69,832**	**14,597**
Corporate bonds		
Credit rating from BBB- to BBB+	954	10,373
Corporate bonds	**954**	**10,373**
Total quoted debt securities	**70,786**	**24,970**
Quoted equity instruments		
No credit rating	4	3
Total quoted equity instruments	**4**	**3**
Available-for-sale investment securities	**70,790**	**24,973**
Pledged under repurchase agreements		
Quoted debt securities		
Eurobonds issued by governments of member countries	18,569	13,903
Total quoted debt securities	**18,569**	**13,903**
Available-for-sale investment securities pledged under repurchase agreements	**18,569**	**13,903**

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 2018-2027 (31 December 2014: in 2017-2024). The annual coupon rate for these bonds varies from 2.0% to 6.0% (31 December 2014: from 2.9% to 5.0%).

Corporate bonds are represented by the bonds issued by major companies and banks of member countries and EU countries, maturing in 2025 (31 December 2014: maturing in 2015-2020). The annual coupon rate for these bonds is 4.5% (31 December 2014: from 5.0% to 8.1%).

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(Thousands of euros)

9. Held-to-maturity investment securities

Held-to-maturity investment securities comprise the following:

	30 June 2015 (unaudited)	*31 December 2014*
Held by the Group		
Quoted debt securities		
Eurobonds issued by governments of member countries	12,340	11,951
Bonds issued by governments of member countries	**12,340**	**11,951**
Corporate bonds		
Credit rating from A- to A+	–	17,536
Credit rating from BBB- to BBB+	18,023	45,683
Credit rating BB+	64,928	5,830
Corporate bonds	**82,951**	**69,049**
Total quoted held-to-maturity debt securities	**95,291**	**81,000**
Pledged under repurchase agreements		
Quoted debt securities		
Corporate bonds rated BBB-	11,659	42,634
Corporate bonds rated BB+	18,214	–
Total Eurobonds issued by governments of member countries	**33,873**	**42,634**
Held-to-maturity investment securities pledged under repurchase agreements	**33,873**	**42,634**

Government bonds of member countries represent EUR-denominated and RUB-denominated securities issued and guaranteed by the Ministries of Finance of these countries, maturing in 2018-2020 (31 December 2014: in 2018-2020). The annual coupon rate for these bonds varies from 3.6% to 7.9% (31 December 2014: from 3.6% to 7.9%).

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

10. Long-term loans to banks

In the first half of 2015, the Group continued its lending activity, taking into account the priorities set in 2014. The principal lending activity is to facilitate the development of small and medium-sized businesses in the member countries and participate in financing 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.

In 2015, the Group provided long-term loans to banks operating in the following countries:

	30 June 2015 (unaudited)	*31 December 2014*
Russian Federation	89,943	89,874
Mongolia	24,546	26,986
Socialist Republic of Vietnam	15,168	15,172
Total long-term loans to banks	**129,657**	**132,032**

As at 30 June 2015 and 31 December 2014, outstanding long-term loans to banks are neither past due nor impaired, and allowances for impairment of these loans were not made.

(Thousands of euros)

10. Long-term loans to banks (continued)

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 2015 and 31 December 2014:

	30 June 2015 (unaudited)		*31 December 2014*	
	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	5,218	4.0	5,964	4.5
Uncollateralized part of the loans	124,439	96.0	126,068	95.5
Total loans to banks	**129,657**	**100.0**	**132,032**	**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 2015, long-term loans to five banks (31 December 2014: 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 2015, these loans totaled EUR 85,103 thousand (31 December 2014: EUR 85,049 thousand).

11. Loans to customers

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

	30 June 2015 (unaudited)	*31 December 2014*
Slovak Republic	47,162	48,345
Republic of Bulgaria	30,532	31,094
Russian Federation	26,999	2,646
Mongolia	22,876	23,822
Romania	5,965	5,958
Total loans to customers	**133,534**	**111,865**
Less: allowance for loan impairment	(7,184)	(3,589)
Loans to customers	**126,350**	**108,276**

A summary of overdue loans as at 30 June 2015 and 31 December 2014 is presented below:

	30 June 2015 (unaudited)	*31 December 2014*
Total loans for which the principal and/or interest is overdue	14,775	8,107
Less: allowance for loan impairment	(7,184)	(3,589)
Overdue loans to customers	**7,591**	**4,518**

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(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:

	Slovak Republic	*Republic of Bulgaria*	*Total*
At 1 January 2015	**3,589**	**–**	**3,589**
Net charge/(reversal) for the period	(611)	4,206	**3,595**
At 30 June 2015 (unaudited)	**2,978**	**4,206**	**7,184**
Individual impairment	**2,978**	**4,206**	**7,184**
Gross amount of loans to customers, individually determined to be impaired, before deducting any individually assessed impairment allowance	**8,107**	**6,668**	**14,775**

	Slovak Republic	*Republic of Bulgaria*	*Total*
At 1 January 2014	**–**	**–**	**–**
Net charge/(reversal) for the period	3,589	(15)	**3,574**
Reversal of allowance previously written off	–	15	**15**
At 30 June 2014 (unaudited)	**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**

Analysis of collateral

The following table provides an analysis of the loan portfolio, net of allowance for impairment, by type of collateral as at 30 June 2015 and 31 December 2014:

	30 June 2015 (unaudited)		*31 December 2014*	
	Loans net of allowance for impairment	*Share in the total loans, %*	*Loans net of allowance for impairment*	*Share in the total loans, %*
Charges over right of claim	42,540	33.7	12,517	11.6
Pledge of real property (mortgage) and title	23,454	18.6	29,508	27.3
Pledge of shares	11,940	9.4	25,947	24
Pledge of equipment and goods in turnover	5,850	4.6	1,706	1.6
Uncollateralized part of the loans	42,566	33.7	38,598	35.6
Total loans to customers	**126,350**	**100.0**	**108,276**	**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.

Concentration of loans to customers

As at 30 June 2015, customer loans to five borrowers (31 December 2014: 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 2015, these loans totaled EUR 90,214 thousand (31 December 2014: EUR 65,405 thousand) and allowances were not created (31 December 2014: no allowances).

(Thousands of euros)

11. Loans to customers (continued)

Analysis of loans to customers by industry

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

	30 June 2015 (unaudited)	*31 December 2014*
Leasing and insurance	26,718	19,427
Production of vehicles	22,362	14,892
Chemical production	22,164	–
Construction of buildings	21,047	20,948
Pipelines	16,407	25,080
Food and beverage	8,498	9,443
Specialized construction	8,107	8,107
Trade	4,834	2,646
Manufacturing of electrical equipment	3,111	–
Communication service	–	11,056
Other	286	266
	133,534	**111,865**
Less allowance for loan impairment	(7,184)	(3,589)
Loans to customers	**126,350**	**108,276**

12. Other assets and liabilities

Other assets comprise:

	30 June 2015 (unaudited)	*31 December 2014*
Other accounts receivable	6,281	2,900
Advance payments and future period expenses	698	841
	6,979	**3,741**
Less allowance for impairment of accounts receivable	(2,062)	(1,763)
Other assets	**4,917**	**1,978**

The movements in other impairment allowance are as follows:

	30 June 2015 (unaudited)	*31 December 2014*
Allowance at 1 January	**1,763**	**411**
Net charge for the period	–	1,730
Change in allowance resulting from changes in exchange rates	299	(378)
Allowance at the end of the period	**2,062**	**1,763**

Other liabilities comprise:

	30 June 2015 (unaudited)	*31 December 2014*
Other accounts payable	2,858	2,482
Settlements with employees	1,133	931
Deferred income	10	–
Other	29	243
Other liabilities	**4,030**	**3,656**

(Thousands of euros)

13. Due to banks and other financial institutions

Due to banks and other financial institutions comprise:

	30 June 2015 (unaudited)	*31 December 2014*
Term deposits of banks and other financial institutions	53,961	17,349
Repurchase agreements payable	42,082	41,320
Due to banks and other financial institutions	**96,043**	**58,669**

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

Concentration of deposits from banks and other financial institutions

As at 30 June 2015, the Group has two counterparties accounting for over 20% of the Group's total deposits from banks and other financial institutions (31 December 2014: four counterparties) in the amount of EUR 65,538 thousand (31 December 2014: EUR 53,669 thousand).

14. Long-term loans from banks

As at 30 June 2015, three long-term loans provided to the Bank in the amount of EUR 43,382 thousand (31 December 2014: EUR 20,540 thousand), maturing in April, September 2016 and May 2020, were recorded on the Group's balance sheet (31 December 2014: April 2016). The Group raised long-term loans from the banks operating in the following countries:

	30 June 2015 (unaudited)	*31 December 2014*
Russian Federation	22,349	20,540
Republic of Bulgaria	13,540	–
Slovak Republic	7,493	–
Other liabilities	**43,382**	**20,540**

15. Debt securities issued

On 29 April 2015, the Bank placed RUB-denominated bonds, series 02, in the amount of RUB 3 billion (EUR 51,633 thousand) maturing on the 3,640th day after the first day of placement. The coupon rate on bonds was set at 13.25% p.a. and is payable twice a year, with the first coupon payment to be paid on 28 October 2015. As at 30 June 2015, the amount of RUB-denominated bonds issued recorded at amortized cost was EUR 49,170 thousand. The Group used receipts from the placement of these bonds including for the accumulation the loan portfolio.

In June 2015, the Group purchased RUB-denominated bonds in the amount of 2.31 billion (EUR 39,283 thousand) by execution investors' put options and also set the coupon rate at 12.00% p.a. from second to fifth coupon periods.

At the dates of placement of RUB-denominated bonds, the Group entered into cross-currency interest rate swaps for the purpose of regulating currency risks (Note 7).

16. 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.

(Thousands of euros)

16. Equity (continued)

Subscribed and paid-in capital (continued)

As at 30 June 2015, an unpaid portion of the Bank's subscribed capital in the amount of EUR 1,007,382 thousand (31 December 2014: EUR 1,027,382 thousand) is the amount of contributions from the Bank's member countries that has not yet been made yet, as well as the amount of unallocated equity contributions totaling EUR 175,500 thousand (31 December 2014: EUR 296,900 thousand).

On 18 May 2015, the Government of Hungary contributed EUR 10,000 thousand to the Bank's equity to resume its full membership. In accordance with the Memorandum of Understanding signed at the 102nd meeting of the IIB's Council (20-21 November 2014), the Bank added EUR 10,000 thousand to the contribution of Hungary out of the retained earnings of previous years.

As a result, the paid-in capital of the International Investment Bank totaled EUR 292,618 thousand (31 December 2014: EUR 272,618 thousand).

17. Contingencies and loan commitments

Legal issues

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 condition 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 the 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 the necessary and sufficient documents and/or regulations issued by the governmental authorities, it decides to write off such bad debt against the respective provision.

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 2015, commitments and contingencies of the Bank comprised off-balance credit-related commitments, and in particular undrawn loan facilities and reimbursement obligations.

Off-balance credit-related commitments are presented in the below table as at 30 June 2015 and 31 December 2014.

	30 June 2015 (unaudited)	*31 December 2014*
Undrawn credit facilities	16,748	69,296
Reimbursement obligations	2,014	–
Total off-balance commitments	**18,762**	**69,296**

18. Leases

Group as lessor

The Group provides its real estate for operating leases. As at 30 June 2015, the Group's non-cancellable operating lease rentals amount to EUR 1,743 thousand (31 December 2014: EUR 4,742 thousand) and will be settled within one year.

(Thousands of euros)

19. Interest income and interest expenses

Net interest income comprises:

	For the six-month period ended 30 June (unaudited)	
	2015	*2014*
Available-for-sale investment securities and held-to-maturity investment securities	3,732	2,583
Loans to customers	3,547	1,781
Long-term loans to banks	3,275	1,995
Deposits with banks and other financial institutions, including cash and cash equivalents	1,585	1,132
Interest income	**12,139**	**7,491**
Debt securities issued	(6,731)	(723)
Long-term loans from banks	(516)	(100)
Repurchase agreements payable	(191)	(43)
Current customer accounts	(110)	(65)
Due to banks and other financial institutions	(59)	(278)
Interest expenses	**(7,607)**	**(1,209)**
Net interest income	**4,532**	**6,282**

Interest income accrued on impaired loans issued for the six months ended 30 June 2015 amounted to EUR 119 thousand (for the six months ended 30 June 2014: EUR 192 thousand).

20. General and administrative expenses

General and administrative expenses comprise:

	For the six-month period ended 30 June (unaudited)	
	2015	*2014*
Employee compensations and employment taxes	5,708	5,454
IT-expenses, inventory and occupancy expenses	786	725
Depreciation of property and equipment	702	684
Expenses related to business travel, representative and accommodation expenses	583	689
Professional services	224	84
Other	372	713
General and administrative expenses	**8,375**	**8,349**

21. Risk management

Risk management framework

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

(Thousands of euros)

21. Risk management (continued)

Risk management framework (continued)

The Group's risk management activities are intended to:

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

Risk management policies and procedures are reviewed regularly to reflect the 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 an internal audit of the risk management systems.

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

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

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.

The 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.

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

As at 30 June 2015 and 31 December 2014, there was no evidence of impairment of long-term loans to banks and all such loans were classified as standard.

(Thousands of euros)

21. 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 2015:

30 June 2015 (unaudited)	*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*	89,943	–	89,943	–
- *Mongolia*	24,546	–	24,546	–
- *Socialist Republic of Vietnam*	15,168	–	15,168	–
	129,657	**–**	**129,657**	**–**
Loans to customers without any signs of impairment identified				
Standard loans				
- *Slovak Republic*	39,055	–	39,055	–
- *Russian Federation*	26,999	–	26,999	–
- *Republic of Bulgaria*	23,864	–	23,864	–
- *Mongolia*	22,876	–	22,876	–
- *Romania*	5,965	–	5,965	–
Uncollectible loans				
- *Slovak Republic*	8,107	(2,978)	5,129	36.7
- *Republic of Bulgaria*	6,668	(4,206)	2,462	63.1
	133,534	**(7,184)**	**126,350**	**5.4**
Total loans	**263,191**	**(7,184)**	**256,007**	**2.7**

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 2014:

31 December 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*	89,874	–	89,874	–
- *Mongolia*	26,986	–	26,986	–
- *Socialist Republic of Vietnam*	15,172	–	15,172	–
	132,032	**–**	**132,032**	**–**
Loans to customers without any signs of impairment identified				
Standard loans				
- *Slovak Republic*	40,238	–	40,238	–
- *Republic of Bulgaria*	31,094	–	31,094	–
- *Mongolia*	23,822	–	23,822	–
- *Romania*	5,958	–	5,958	–
- *Russian Federation*	2,646	–	2,646	–
Uncollectible loans				
- *Slovak Republic*	8,107	(3,589)	4,518	44.3
	111,865	**(3,589)**	**108,276**	**3.2**
Total loans	**243,897**	**(3,589)**	**240,308**	**1.5**

(Thousands of euros)

21. Risk management (continued)

Credit risk (continued)

Where possible, the Group seeks to restructure loans rather than 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.

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 an improper balance between the Group's financial assets and financial liabilities by period and amount (including due to the untimely discharge of its financial obligations by one or several counterparties of the Group) and/or the unforeseen need for the immediate and simultaneous discharge of its financial obligations.

Liquidity management is an integral part of the general policy for the Group's assets and liabilities management (ALM) and operates within the established limits and restrictions related to the management of risks (liquidity, interest rate and currency risk) and the Group's balance sheet items, and in accordance with the documents of strategic, tactical and operating planning.

Procedures for the Group's liquidity position management, ensuring the Group's ability to meet its obligations in full and on a timely basis and efficient resources management, are stipulated in the Treatment for the IIB's liquidity position management that enables the development of the liquidity position management function provided for by the IIB's assets and liabilities management policy, as an integral part of the general function of the Group's management.

The decision making matrix related to liquidity management includes a strategic level of liquidity management (Council), tactical level (Management and special-purpose committees) and operational level (responsible structural divisions). In 2014, the Group has been working on the modernization of approaches for the Group's assets and liabilities management. Beginning in 2015 the department for the analytical support of treasury operations (DASKO or ALM Unit) was imposed responsible for organizing and coordinating measures related to the management of the liquidity position. The Group manages its liquidity position in accordance with planning horizons (up to six months) and possible scenarios of movements in the liquidity position (stable, stressed).

The main instrument of liquidity position management under a stable scenario is a "Cash flow plan" defining the cash flow by balance-sheet products/instruments and taking into account the plan of future financial operations. Based on the Plan of cash flow movements, balance sheet gaps, payment schedule and need in financing of future operations. As a result of applying these instruments, DASKO gives the appropriate recommendations to the responsible structural divisions.

The Group has implemented a liquidity buffer to manage the Group's liquidity during crisis. The application of the liquidity buffer enables the Bank to efficiently monitor the sustainability and stability of the Bank's balance sheet structure in the event of a liquidity shortage, which is critical to the Bank's solvency.

The liquidity buffer is formed primarily due to liquidity reserves, namely securities recognized in the Bank's balance sheet and included in the Lombard list of the European Central Bank and Bank of Russia, calculated as of the reporting date and for the next six-month reporting dates in addition(estimates). The liquidity buffer may be used to close a negative net position. As at 30 June 2015, the liquidity buffer amounts to EUR 93.4 mln (31 December 2014: EUR 64.6 thousand).

The table below shows the contractual expiry by maturity of the Bank'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.

	30 June 2015 (unaudited)	*31 December 2014*
Less than 1 month	18,208	69,296
1 to 5 years	554	–
Off-balance credit-related commitments	**18,762**	**69,296**

(Thousands of euros)

21. 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 balance sheet date to the contractual maturity date. Quoted high liquid available-for-sale debt investment securities are classified in the period of "less than 1 month" as the Group may realize them at any short-term moment on market terms. Available-for-sale securities pledged under repurchase agreements are presented on the basis of remaining period from the balance sheet date to the completion of the relevant contractual liabilities of the Group under repurchase agreements.

	30 June 2015 (unaudited)								***31 December 2014***							
	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***	***Overdue***	***Total***
Assets																
Cash and cash equivalents	55,410	–	–	–	–	–	–	**55,410**	65,918	–	–	–	–	–	–	**65,918**
Deposits with banks and other financial institutions	–	15,404	41,459	2,977	–	–	–	**59,840**	8,327	20,347	5,697	–	–	–	–	**34,371**
Financial assets at fair value through profit or loss	–	–	–	674	–	–	–	**674**	311	–	–	–	–	–	–	**311**
Available-for-sale investment securities	80,784	–	–	8,571	–	4	–	**89,359**	42	7,669	750	13,599	16,813	3	–	**38,876**
Held-to-maturity investment securities	282	756	675	58,317	69,134	–	–	**129,164**	70	942	1,146	39,791	81,685	–	–	**123,634**
Long-term loans to banks	–	1,607	28,535	99,515	–	–	–	**129,657**	–	1,531	13,139	117,362	–	–	–	**132,032**
Loans to customers	578	929	8,780	89,974	18,498	–	7,591	**126,350**	–	901	24,168	53,763	24,926	–	4,518	**108,276**
Other assets	3,644	8	471	95	–	–	–	**4,218**	58	75	994	10	–	–	–	**1,137**
Total assets	**140,698**	**18,704**	**79,920**	**260,123**	**87,632**	**4**	**7,591**	**594,672**	**74,726**	**31,465**	**45,894**	**224,525**	**123,424**	**3**	**4,518**	**504,555**
Liabilities																
Due to banks and other financial institutions	(63,532)	(9,999)	(10,000)	(12,512)	–	–	–	**(96,043)**	(45,436)	(13,233)	–	–	–	–	–	**(58,669)**
Current customer accounts	(5,077)	–	–	–	–	–	–	**(5,077)**	(4,788)	–	–	–	–	–	–	**(4,788)**
Financial liabilities at fair value through profit or loss	(555)	–	(9,700)	(3,848)	–	–	–	**(14,103)**	–	–	(21,705)	–	–	–	–	**(21,705)**
Long-term loans from banks	(77)	–	(23,223)	(20,082)	–	–	–	**(43,382)**	(97)	–	–	(20,443)	–	–	–	**(20,540)**
Debt securities issued	–	–	(34,738)	(105,039)	–	–	–	**(139,777)**	–	–	(82,884)	(29,875)	–	–	–	**(112,759)**
Other liabilities	(971)	(82)	(2,966)	–	–	–	–	**(4,019)**	(1,356)	(49)	(2,251)	–	–	–	–	**(3,656)**
Total liabilities	**(70,212)**	**(10,081)**	**(80,627)**	**(141,481)**	**–**	**–**	**–**	**(302,401)**	**(51,677)**	**(13,282)**	**(106,840)**	**(50,318)**	**–**	**–**	**–**	**(222,117)**
Net position	**70,486**	**8,623**	**(707)**	**118,642**	**87,632**	**4**	**7,591**	**292,271**	**23,049**	**18,183**	**(60,946)**	**174,207**	**123,424**	**3**	**4,518**	**282,438**
Accumulated net position	**70,486**	**79,109**	**78,402**	**197,044**	**284,676**	**284,680**	**292,271**		**23,049**	**41,232**	**(19,714)**	**154,493**	**277,917**	**277,920**	**282,438**	

(Thousands of euros)

21. 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

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 and equity risks. VaR is a method used in measuring maximum risk of the Group, i.e., the level of losses on a certain position in relation to a financial instrument / currency / precious metals or a portfolio, 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. The assessment of value at risk in relation to currency position of the Group is carried out in major currencies and financial instruments of the Group attributable to a securities portfolio.

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 fair values of financial instruments and exchange rates.

The selection period used by the Bank for modeling purposes depends on the type of instruments and amounts to 250 days for currency and securities. In order to monitor the accuracy of assessment of the 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 2015, final data on value at risk assessment in relation to currency risks assumed by the Group are represented as follows:

	30 June 2015 (unaudited)	*31 December 2014*
Price risk on fixed income securities	476	364
Currency risk	1,189	945

Despite measurement of value at risk is a standard industry method for risk assessment, this method has a number of limitations:

- Analysis based on value at risk assessment is correct in case the current market conditions remain unchanged.
- Assessment of value at risk is sensitive to market liquidity in relation to a particular financial instrument, and the lack of liquidity may lead to biased volatility data.
- If a confidence level of 99% is used, losses exceeding the confidence range are not taken into account.
- 10-day time horizon implies the entire Group's position over this period could have been closed or hedged. Results of value at risk assessment may be incorrect in case of market liquidity deterioration.

Fluctuations that may occur in the course of the day are not taken into account at calculating value at risk on the basis of the results of a business day.

(Thousands of euros)

21. Risk management (continued)

Market risk (continued)

The Group's exposure to currency risk as at 30 June 2015 and 31 December 2014 is presented below:

	30 June 2015 (unaudited)					***31 December 2014***				
	EUR	***USD***	***RUB***	***Other currencies***	***Total***	***EUR***	***USD***	***RUB***	***Other currencies***	***Total***
Assets										
Cash and cash equivalents	53,661	635	969	145	**55,410**	33,801	31,655	360	102	**65,918**
Deposits with banks and other financial institutions	59,313	–	527	–	**59,840**	32,895	1,044	432	–	**34,371**
Available-for-sale investment securities	67,190	22,169	–	–	**89,359**	32,355	6,521	–	–	**38,876**
Held-to-maturity investment securities	54,961	68,860	5,343	–	**129,164**	55,566	63,561	4,507	–	**123,634**
Long-term loans to banks	110,159	19,498	–	–	**129,657**	110,815	21,217	–	–	**132,032**
Loans to customers	104,186	22,164	–	–	**126,350**	108,276	–	–	–	**108,276**
Other assets	3,685	–	533	–	**4,218**	111	2	1,024	–	**1,137**
	453,155	**133,326**	**7,372**	**145**	**593,998**	**373,819**	**124,000**	**6,323**	**102**	**504,244**
Liabilities										
Due to banks and other financial institutions	(52,533)	(43,510)	–	–	**(96,043)**	(16,804)	(41,181)	(684)	–	**(58,669)**
Current customer accounts	(4,880)	(197)	–	–	**(5,077)**	(4,605)	(183)	–	–	**(4,788)**
Long-term loans from banks	(7,493)	(35,889)	–	–	**(43,382)**	–	(20,540)	–	–	**(20,540)**
Debt securities issued	(30,584)	–	(109,193)	–	**(139,777)**	(30,079)	–	(82,680)	–	**(112,759)**
Other liabilities	(3,220)	(112)	(687)	–	**(4,019)**	(2,879)	(74)	(703)	–	**(3,656)**
	(98,710)	**(79,708)**	**(109,880)**	**–**	**(288,298)**	**(54,367)**	**(61,978)**	**(84,067)**	**–**	**(200,412)**
Net balance sheet position	**354,445**	**53,618**	**(102,508)**	**145**	**305,700**	**319,452**	**62,022**	**(77,744)**	**102**	**303,832**
Derivative financial instruments										
Claims	21,000	–	104,293	–	**125,293**	33,310	–	76,915	–	**110,225**
Liabilities	(114,875)	(23,847)	–	–	**(138,722)**	(97,564)	(34,056)	–	–	**(131,620)**
Net balance sheet position including derivative financial instruments	**260,570**	**29,771**	**1,785**	**145**	**292,271**	**255,198**	**27,966**	**(829)**	**102**	**282,437**

(Thousands of euros)

22. 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 the 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, professional 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 Bank 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 2015 (unaudited)*	*Level 2 30 June 2015 (unaudited)*	*Level 3 30 June 2015 (unaudited)*	*Total 30 June 2015 (unaudited)*
Assets measured at fair value					
Derivative financial assets	30 June 2015	–	674	–	**674**
Government bonds of member countries and bonds of regional governments	30 June 2015	88,401	–	–	**88,401**
Corporate bonds	30 June 2015	954	–	–	**954**
Quoted equity instruments	30 June 2015	–	4	–	**4**
Investment property	30 June 2015	–	–	52,890	**52,890**
Property and equipment	30 June 2015	–	–	53,608	**53,608**
Liabilities measured at fair value					
Derivative financial liabilities	30 June 2015	–	14,103	–	**14,103**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2014:

	Valuation date	*Level 1 31 December 2014*	*Level 2 31 December 2014*	*Level 3 31 December 2014*	*Total 31 December 2014*
Assets measured at fair value					
Derivative financial assets	31 December 2014	–	311	–	**311**
Government bonds of member countries and bonds of regional governments	31 December 2014	28,500	–	–	**28,500**
Corporate bonds	31 December 2014	10,373	–	–	**10,373**
Quoted equity instruments	31 December 2014	–	3	–	**3**
Investment property	31 December 2014	–	–	52,879	**52,879**
Property and equipment	31 December 2014	–	–	53,207	**53,207**
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2014	–	21,705	–	**21,705**

(Thousands of euros)

22. Fair value of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value

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

	Carrying amount at 30 June 2015 (unaudited)	*Fair value at 30 June 2015 (unaudited)*	*Unrecognized gain/(loss) for 6 months 2015 (unaudited)*	*Carrying amount at 31 December 2014*	*Fair value at 31 December 2014*	*Unrecognized gain/(loss) for 2014*
Financial assets						
Cash and cash equivalents	55,410	55,410	–	65,918	65,918	–
Deposits with banks and other financial institutions	59,840	59,840	–	34,371	34,371	–
Held-to-maturity investment securities	129,164	116,729	(12,435)	123,634	99,872	(23,762)
Long-term loans to banks	129,657	127,646	(2,011)	132,032	126,485	(5,547)
Loans to customers	126,350	126,350	–	108,276	108,276	–
Financial liabilities						
Due to banks and other financial institutions	96,043	96,043	–	58,669	58,669	–
Current customer accounts	5,077	5,077	–	4,788	4,788	–
Long-term loans from banks	43,382	43,382	–	20,540	20,540	–
Debt securities issued	139,777	139,460	317	112,759	106,351	6,408
Total unrecognized change in unrealized fair value			**(14,129)**			**(22,901)**

Methodologies and assumptions

The methodologies and assumptions used to determine the fair values of those financial instruments which are not recorded at fair value in these interim condensed financial statements are in line with those described in the Bank's financial statements for the year ended 31 December 2014.

23. Segment reporting

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

Lending and investment activity	Lending and 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	Lease services, other activities

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(Thousands of euros)

23. Segment reporting (continued)

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, income, assets and liabilities of the Group’s operating segments:

For the six-month period ended 30 June 2015 (unaudited)	***Lending and investment activity***	***Treasury***	***Other operations***	***Total***
Income				
External customers				
Interest income	6,822	5,272	45	**12,139**
Net gain from trading in foreign currencies	–	6,108	–	**6,108**
Net gain from available-for-sale investment securities	–	2,375	–	**2,375**
Income from lease of investment property	–	–	3,085	**3,085**
Other segment income	70	–	63	**133**
Total income	**6,892**	**13,755**	**3,193**	**23,840**
Interest expenses	(3,292)	(4,315)	–	**(7,607)**
Net loss from foreign currencies	–	–	(13)	**(13)**
Allowance for loan impairment	(3,595)	–	–	**(3,595)**
Other segment expenses	–	(56)	(994)	**(1,050)**
Segment performance results	**5**	**9,384**	**2,186**	**11,575**
Other unallocated expenses				**(10,326)**
Income for the period				**1,249**
Segment assets as at 30 June 2015	256,007	333,871	112,047	**701,925**
Segment liabilities as at 30 June 2015	83,201	215,181	4,030	**302,412**
Other segment information				
Capital expenditures	–	–	22	**22**

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(Thousands of euros)

23. Segment reporting (continued)

For the six-month period ended 30 June 2014 (unaudited)	*Lending and investment activity*	*Treasury*	*Other operations*	*Total*
Income				
External customers				
Interest income	3,776	3,648	67	**7,491**
Net gain 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 loss from foreign currencies	–	(198)	–	**(198)**
Allowance for loan impairment	(3,574)	–	–	**(3,574)**
Other segment expenses	(8)	(15)	(809)	**(832)**
Segment performance results	**(72)**	**7,173**	**3,980**	**11,081**
Other unallocated expenses				**(8,349)**
Income for the period				**2,732**
Segment assets as at 30 June 2014	144,946	239,284	115,789	**500,019**
Segment liabilities as at 30 June 2014	22,416	101,660	5,581	**129,657**
Other segment information				
Capital expenditures	–	–	40	**40**

As at 30 June 2015, the Group had one counterparty that provided lease income above 20% of the Bank's total income (30 June 2014: one). As at 30 June 2015, income from this counterparty amounted to EUR 1,895 thousand (30 June 2014: EUR 2,832 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 2015 and 30 June 2014 is presented in the tables below:

	For the six-month period ended 30 June (unaudited)							
	2015				*2014*			
	Russia	*Other member countries*	*Other countries*	*Total*	*Russia*	*Other member countries*	*Other countries*	*Total*
Interest income from external customers	6,113	5,001	1,025	**12,139**	3,355	3,567	568	**7,491**
Income from lease of investment property	3,085	–	–	**3,085**	4,091	–	–	**4,091**
Revenue from sale of inventories	–	–	–	**–**	579	–	–	**579**
Non-current assets	106,498	–	–	**106,498**	103,385	–	–	**103,385**

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

(Thousands of euros)

23. Segment information (continued)

Geographical information (continued)

Geographical concentration information is based on geographical location of the Group's counterparties. As at 30 June 2015 and 31 December 2014, the geographical concentration of the Group's assets and liabilities is set out below:

	30 June 2015 (unaudited)									
	Russian Federation	*Republic of Bulgaria*	*Romania*	*Slovak Republic*	*Mongolia*	*Socialist Republic of Vietnam*	*Czech Republic*	*Hungary*	*Other countries*	*Total*
Assets										
Cash and cash equivalents	20,169	–	–	9	–	–	–	–	35,232	**55,410**
Deposits with banks and other financial institutions	2,400	–	–	–	40,133	–	–	–	17,307	**59,840**
Financial instruments at fair value through profit or loss	–	–	–	–	–	–	–	–	674	**674**
Available-for-sale investment securities	–	19,780	21,381	12,664	10,522	11,647	6,845	5,562	958	**89,359**
Held-to-maturity investment securities	112,113	–	–	–	–	–	–	–	17,051	**129,164**
Long-term loans to banks less allowances for impairment	89,943	–	–	–	24,546	15,168	–	–	–	**129,657**
Loans to customers less allowances for impairment	26,999	26,326	5,965	44,184	22,876	–	–	–	–	**126,350**
Assets	**251,624**	**46,106**	**27,346**	**56,857**	**98,077**	**26,815**	**6,845**	**5,562**	**71,222**	**590,454**
Liabilities										
Due to banks and other financial institutions	–	22,998	–	7,508	–	–	40,020	–	25,517	**96,043**
Financial instruments at fair value through profit or loss	14,103	–	–	–	–	–	–	–	–	**14,103**
Long-term loans from banks	22,349	13,540	–	7,493	–	–	–	–	–	**43,382**
Debt securities issued	109,160	–	–	30,617	–	–	–	–	–	**139,777**
Liabilities	**145,612**	**36,538**	**–**	**45,618**	**–**	**–**	**40,020**	**–**	**25,517**	**293,305**

(Thousands of euros)

23. Segment information (continued)

Geographical information (continued)

	31 December 2014								
	Russian Federation	***Republic of Bulgaria***	***Romania***	***Slovak Republic***	***Mongolia***	***Socialist Republic of Vietnam***	***Czech Republic***	***Other countries***	***Total***
Assets									
Cash and cash equivalents	23,698	–	–	8,241	–	–	16,464	17,515	**65,918**
Deposits with banks and other financial institutions	432	–	–	–	30,460	–	–	3,479	**34,371**
Financial instruments at fair value through profit or loss	311	–	–	–	–	–	–	–	**311**
Available-for-sale investment securities	10,381	14,642	2,584	1,177	1,948	1,702	3,567	2,875	**38,876**
Held-to-maturity investment securities	106,097	–	–	–	–	–	–	17,537	**123,634**
Long-term loans to banks less allowances for impairment	89,874	–	–	–	26,986	15,172	–	–	**132,032**
Loans to customers less allowances for impairment	2,646	31,094	5,958	44,756	23,822	–	–	–	**108,276**
Assets	**233,439**	**45,736**	**8,542**	**54,174**	**83,216**	**16,874**	**20,031**	**41,406**	**503,418**
Liabilities									
Due to banks and other financial institutions	–	29,837	–	–	–	–	–	28,832	**58,669**
Financial instruments at fair value through profit or loss	21,143	–	–	–	–	–	–	562	**21,705**
Long-term loans from banks	20,540	–	–	–	–	–	–	–	**20,540**
Debt securities issued	82,679	–	–	30,080	–	–	–	–	**112,759**
Liabilities	**124,362**	**29,837**	**–**	**30,080**	**–**	**–**	**–**	**29,394**	**213,673**

(Thousands of euros)

24. Offsetting of financial instruments

The table below shows the effect of enforceable master netting agreements and similar arrangements that do not result in an offset in the consolidated statement of financial position as at 30 June 2015:

30 June 2015	*Gross amount of recognized financial assets (unaudited)*	*Gross amount of recognized financial liabilities set off in the statement of financial position (unaudited)*	*Net amount of financial assets presented in the statement of financial position (unaudited)*	*Related amounts not set off in the statement of financial position (unaudited)*		*Net amount (unaudited)*
				Financial instruments	*Financial liabilities*	
Financial assets						
Financial assets pledged under repurchase agreements	52,442	–	52,442	–	(42,082)	**10,360**
Total	**52,442**	**–**	**52,442**	**–**	**(42,082)**	**10,360**
Financial liabilities						
Direct repurchase agreements with banks	42,082	–	42,082	–	(42,082)	–
Total	**42,082**	**–**	**42,082**	**–**	**(42,082)**	**–**

The table below shows the effect of enforceable master netting agreements and similar arrangements that do not result in an offset in the consolidated statement of financial position as at 31 December 2014:

31 December 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*		*Net amount*
				Financial instruments	*Financial liabilities*	
Financial assets						
Financial assets pledged under repurchase agreements	56,537	–	56,537	–	(41,320)	**15,217**
Total	**56,537**	**–**	**56,537**	**–**	**(41,320)**	**15,217**
Financial liabilities						
Direct repurchase agreements with banks	41,320	–	41,320	–	(41,320)	–
Total	**41,320**	**–**	**41,320**	**–**	**(41,320)**	**–**

25. 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 paid 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)

25. Related party disclosures (continued)

The volumes of related party transactions, outstanding balances as at 30 June 2015 and 31 December 2014, and related expense and income for the six months of 2015 and 2014 are as follows:

		30 June 2015 (unaudited)		*31 December 2014*	
	Related party	***Carrying amount***	***Average interest rate, %***	***Carrying amount***	***Average interest rate, %***
Consolidated statement of financial position					
Other liabilities	Key management personnel	402	–	369	–

		For the six-month period ended 30 June (unaudited)	
		2015	***2014***
	Related party	***Income/ (expense)***	***Income/ (expense)***
Consolidated income statement			
Interest expense on current customer accounts	Key management personnel	(37)	(17)
Net interest expense after allowance for loan impairment		**(37)**	**(17)**
Operating loss		**(37)**	**(17)**
Employee benefits	Key management personnel	(710)	(734)
Compensation for travel expenses and medical insurance	Key management personnel	(74)	(71)
Operating expenses		**(784)**	**(805)**
Net loss for the period		**(821)**	**(822)**

26. 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 ("capital adequacy ratio") above the prescribed minimum level. As at 30 June 2015, this minimum level was 8% (31 December 2014: 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 2015 (31 December 2014: 25%).

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(Thousands of euros)

26. 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 at 30 June 2015 and 31 December 2014.

	30 June 2015 (unaudited)	*31 December 2014*
Equity		
Tier 1 capital	365,543	351,305
Tier 2 capital	32,210	33,871
Total regulatory capital	**397,753**	**385,176**
Risk-weighted assets		
Credit risk	482,962	384,656
Market risk	52,514	58,352
Operational risk	55,648	50,141
Total risk-weighted assets	**591,124**	**493,149**
Total capital expressed as a percentage of risk-weighted assets, % ("capital adequacy ratio")	67.29%	78.11%
Total tier 1 capital expressed as a percentage of risk-weighted assets, % ("tier 1 capital ratio")	61.84%	71.24%

27. Events after the reporting date

On 29 July in accordance with the Memorandum of Understanding signed at the 102nd meeting of the IIB's Council (20-21 November 2014), the Bank fulfilled its obligation to increase the contribution of Hungary to the Bank's charter capital in the amount of EUR 10,000 thousand out of the retained earnings of previous years in respect of additional contribution of Hungary to the Bank's charter capital. As a result the paid-in capital of the International Investment Bank amounted to EUR 302,618 thousand and Hungary's share in paid-in capital of the Bank increased to 9.91%.

(The end)