



BLACK SEA TRADE AND DEVELOPMENT BANK

**Financial Statements for the Year Ended
31 December 2023**

Together with Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Black Sea Trade and Development Bank (the Bank), which comprise the statement of financial position as at 31 December 2023 and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Black Sea Trade and Development Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as these have been incorporated into Greek legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We have been independent of the Bank during the whole period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as incorporated into Greek legislation and the ethical requirements in Greece relevant to the audit of the financial statements and we have fulfilled our ethical requirements in accordance with the applicable legislation and the above mentioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters and the assessed risks of material misstatements were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Expected Credit Loss on Loans at amortized cost	
<p>Loans at amortized cost of the Bank amounted to EUR 1,565 million as at 31 December 2023 (EUR 2,041 million as at 31 December 2022) and Expected Credit Losses ("ECL") to EUR 84 million (EUR 106 million as at 31 December 2022) as presented on the Statement of Financial Position.</p> <p>The Bank measures ECL for loans at amortized cost on a collective basis for stage 1 and stage 2 loans and on an individual basis for stage 3 loans.</p> <p>Measurement of ECL on loans at amortized cost is considered a key audit matter as it involves critical management judgments and accounting estimates and high degree of estimation uncertainty. Increased uncertainty related to the continuing impact of Russia's invasion in Ukraine and the availability of reliable information represented an increased risk in the determination of ECL for loans granted to debtors operated at these countries.</p> <p>Management judgements and accounting estimates, with higher level of subjectivity or complexity relate to:</p> <ul style="list-style-type: none"> • The timely identification of exposures with significant increase in credit risk and credit impaired exposures. • The determination of certain credit risk parameters, such Probability of Default (PD) and Exposure at Default (EAD). • The Identification and appropriateness of management overrides for staging classification of Russian and Ukraine loans to include the impact of the Russian – Ukraine conflict. • For Stage 3 loans granted to debtors operates in Ukraine the most significant assumptions and Management judgements relate to: <ul style="list-style-type: none"> a) the incorporation of the impact of Russia-Ukraine war in the assessment of future cash flows b) the determination of forecasted future cash flows <p>Management provided further information about principles and accounting policies for determining the allowance for impairment on loans at amortized cost and the management of credit risk in notes 3.6, 5, 12 and 15 to the financial statements.</p>	<p>Based on our risk assessment and following a risk based approach, we have evaluated the impairment methodologies applied and assumptions made by Management in relation to this key audit matter, which included, inter alia, the following audit procedures:</p> <ul style="list-style-type: none"> - we obtained an understanding of the procedures and evaluated the design and implementation of relevant internal controls within the business process. - we assessed the appropriateness of the Bank's IFRS 9 impairment methodologies. - with the support of our internal financial risk modeling specialists, where appropriate, we assessed the reasonableness of Management's assumptions and input data used in the model. We tested the mechanical elements of the calculations such as the EAD, the PD and stage allocation and reperformed the calculation of the ECL on a sample basis. - we tested the accuracy and completeness of critical data used in the ECL calculation by agreeing a sample of ECL calculation data points to source system or documentation. - on a sample basis we assessed the reasonableness of the estimated expected credit loss for the individually assessed credit impaired exposures. Especially for individually assessed Ukraine stage 3 loans, we assessed the reasonableness of the assumptions used by Management including the forecasted future cash flows, and debtor's operations, - We evaluated the completeness and appropriateness of overrides performed by management in relation to the staging classification of Russian and Ukraine loans and critically assessed the significant assumptions used. <p>We assessed the adequacy and completeness of the Bank's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9.</p>



Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Bank is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as these have been incorporated into Greek legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, as these have been incorporated into Greek legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Athens, 30 May 2024

The Certified Public Accountant

Alexandra Kostara

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INCOME STATEMENT

For the year ended 31 December 2023

Presented in thousands of EUR	Note	2023	2022
Interest and similar income	7	139,414	151,268
Interest and similar expense	8	(65,962)	(59,021)
Net interest income (expense) on derivatives	9	(17,400)	4,388
Net interest income		56,052	96,635
Of which: net interest income based on the effective interest rate		118,588	142,967
Net fees and commissions	10	475	1,937
Net gains (losses) on derecognition of debt investment securities at fair value through other comprehensive income		(549)	139
Net (losses) from sale of loans at amortized cost		(1,176)	-
Net gains on derecognition of financial liabilities at amortized cost	20	14,963	-
Realized gains (losses) on derivative instruments		(13,128)	6,386
Unrealized fair value gains (losses) on derivative instruments		12,207	(21,880)
Fair value gains (losses) on loans measured at fair value through profit or loss		(1,561)	336
Fair value gains (losses) on equity investments measured at fair value through profit or loss		-	(791)
Foreign exchange income (losses)		(176)	(18,980)
Other income (losses)		3	(10)
Operating income		67,110	63,772
Personnel expenses	11,26	(17,630)	(18,197)
Administrative expenses	11	(4,890)	(4,853)
Depreciation and amortization	18,19	(456)	(339)
Income before expected credit losses		44,134	40,383
Expected credit (losses) gains on loans measured at amortized cost	12	(23,248)	(68,085)
Expected credit (losses) gains on debt investment securities measured at fair value through other comprehensive income	13	(477)	116
Income (loss) for the year		20,409	(27,586)

The accompanying notes, on pages 11 to 75 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

Presented in thousands of EUR	Note	2023	2022
Income (loss) for the year		20,409	(27,586)
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Gains (losses) on Actuarial defined benefit scheme	24	(3,274)	8,178
Gains (losses) on equity investments financial assets	24	(618)	(5,527)
Items that are or may be reclassified subsequently to profit or loss:			
Gains (losses) on investment securities financial assets	24	4,477	(18,550)
Gains (losses) on cash flow hedges	24	1,786	(3,621)
Other comprehensive income (expense)		2,371	(19,520)
Total comprehensive income (loss)		22,780	(47,106)

The accompanying notes, on pages 11 to 75 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2023

Presented in thousands of EUR	Note	2023	2022
Assets			
Cash and due from banks	25	375,390	208,338
Deposits in margin accounts		80,120	114,430
Debt investment securities at fair value through other comprehensive income	13	94,986	525,224
Derivative financial instruments – assets	14	35,413	42,338
Loans at amortized cost	5,15	1,565,094	2,040,986
Plus: accrued/deferred income	15	27,718	26,458
Less: expected credit losses	5,12	(83,933)	(106,476)
Loans at fair value through profit or loss	15	10,827	15,350
Loans		1,519,706	1,976,318
Equity investments at fair value through other comprehensive income	5,16	10,665	12,440
Accrued interest receivable	15	32,018	38,054
Other assets	17	16,398	17,054
Property and equipment	18	332	265
Intangible assets	19	552	553
Right of use assets	22	343	451
Asset held for sale	28	2,962	-
Total Assets		2,168,885	2,935,465
Liabilities			
Amounts due to financial institutions	20	115,540	413,485
Debt evidenced by certificates	20	1,052,468	1,493,157
Accrued interest payable	20	6,476	9,013
Borrowings		1,174,484	1,915,655
Margin accounts		1,600	14,420
Derivative financial instruments – liabilities	14	108,998	148,624
Other liabilities	21	24,502	20,132
Lease liability	22	164	277
Total liabilities		1,309,748	2,099,108
Members' Equity			
Authorized share capital	23	3,450,000	3,450,000
Less: unallocated share capital	23	(1,161,500)	(1,161,500)
Subscribed share capital	23	2,288,500	2,288,500
Less: callable share capital	23	(1,601,950)	(1,601,950)
Paid-in share capital		686,550	686,550
Reserves	24	83,163	80,792
Retained earnings		89,424	69,015
Total members' equity		859,137	836,357
Total Liabilities and Members' Equity		2,168,885	2,935,465
Off-balance-sheet items			
Commitments	5	73,034	118,937

The accompanying notes, on pages 11 to 75 are an integral part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended 31 December 2023

Presented in thousands EUR	Share capital			Reserves	Retained Earnings	Total
	Subscribed	Callable	Payable			
At 31 December 2021	2,288,500	(1,601,950)	-	100,312	98,860	885,722
Income (loss) for the year	-	-	-	-	(27,586)	(27,586)
Other comprehensive income:						
Net gains (losses) on financial assets at fair value reserve through OCI	-	-	-	(26,336)	-	(26,336)
Disposal of equity investments at fair value through OCI	-	-	-	2,259	(2,259)	-
Actuarial (losses) gains on defined benefit scheme	-	-	-	8,178	-	8,178
Effective portion of cash flow hedges (losses) gains				(3,621)		(3,621)
Total comprehensive income (loss) for the year	-	-	-	(19,520)	(29,845)	(49,365)
Members' contributions	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-
Total contributions	-	-	-	-	-	-
At 31 December 2022	2,288,500	(1,601,950)	-	80,792	69,015	836,357
Income for the year	-	-	-	-	20,409	20,409
Other comprehensive income:						
Net gains (losses) on financial assets at fair value reserve through OCI	-	-	-	3,859	-	3,859
Actuarial (losses) gains on defined benefit scheme	-	-	-	(3,274)	-	(3,274)
Effective portion of cash flow hedges gains (losses)				1,786	-	1,786
Total comprehensive income for the year	-	-	-	2,371	20,409	22,780
Members' contributions	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-
Total contributions	-	-	-	-	-	-
At 31 December 2023	2,288,500	(1,601,950)	-	83,163	89,424	859,137

The accompanying notes, on pages 11 to 75 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Presented in thousands of EUR	Note	2023	2022
Cash flows from operating activities			
Income (loss) for the year		20,409	(27,586)
Adjustment for items in income statement:			
Depreciation and amortization		456	339
Expected credit losses (gains) on loans		23,248	68,085
Expected credit losses (gains) on investment securities		477	(116)
Fair value (gains) losses on loans at FVTPL		1,561	(336)
Fair value (gains) losses on equity investments at FVTPL		-	791
Net interest income		(73,452)	(92,247)
Realized (gains) losses on disposal of investment securities at FVTOCI		549	(139)
Realized (gains) losses from debt issued		(14,963)	-
Realized (gains) losses on derivative instruments		13,128	(6,386)
Cash generated from (used for) operations:			
Proceeds from repayment of loans		652,936	614,609
Proceeds from repayment of equity investments		2,088	5,684
Funds advanced for loans		(244,136)	(246,115)
Funds advanced for equity investments		(931)	(924)
Net movement in derivative financial instruments		(20,494)	62,816
Working capital adjustments:			
Interest income received		145,450	140,395
Interest income paid		(68,499)	(60,944)
Decrease (increase) in deposit margin accounts		34,310	(83,690)
Decrease (increase) in other assets		656	1,127
Increase (decrease) in margin accounts		(12,820)	(2,170)
Increase (decrease) in other and lease liabilities		-	7,882
Increase (decrease) in accrued/deferred income		(1,260)	(41,158)
Net cash from / (used in) operating activities		458,713	339,917
Cash flows from investing activities			
Net proceeds from investment securities at FVTOCI		92,489	126,828
Purchase of property, software and equipment		(514)	(613)
Net cash from / (used in) investing activities		91,975	126,215
Cash flows from financing activities			
Proceeds from borrowings		209,507	326,811
Repayment of borrowings		(948,727)	(684,688)
Payment of lease liability		(649)	-
Other:			
Increase (decrease) in other liabilities		4,370	-
Net cash from financing activities		(735,499)	(357,877)
Effect on foreign exchange		(69,546)	-
Net increase (decrease) in cash and cash equivalents		(254,357)	108,255
Cash and cash equivalents at beginning of year		679,747	571,492
Cash and cash equivalents at end of year	25	425,390	679,747

The accompanying notes, on pages 11 to 75 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ESTABLISHMENT OF THE BANK

1.1 Agreement Establishing the Bank

Black Sea Trade and Development Bank (the “Bank”), whose headquarters are located at 1 Komnion Street, Thessaloniki, in the Hellenic Republic, was established as an international financial organization under the Agreement Establishing the Bank dated 30 June 1994 (‘Establishing Agreement’). In accordance with Article 61 of the Establishing Agreement, following the establishment of the Bank the Establishing Agreement came into force on 24 January 1997. The Bank commenced operations on 1 June 1999.

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

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

1.2 Headquarters Agreement

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

1.3 Governing Bodies

Each of the Member States of the Bank is represented on the Board of Governors (BoG), with all powers of the Bank vested in the BoG. With the exception of certain reserved powers, the BoG has delegated the exercise of its powers to the Board of Directors (BoD), while retaining overall authority.

BoG and BoD members can be changed at any time upon the discretion of the respective Member State.

1.3.1 Board of Governors

Country	Governor
Albania	Ms. Adela Xhemali
Armenia	Mr. Arthur Javadyan
Azerbaijan	Mr. Samir Sharifov
Bulgaria	Ms. Lyudmila Petkova
Georgia	Mr. Lasha Khutsishvili
Greece	Mr. Nikos Papathanasis
Moldova	Mr. Petru Rotaru
Romania	Mr. Alin Marius Andries
Russia	Mr. Pavel Snisorenko
Turkiye	Mr. Osman Celik
Ukraine	Ms. Yuliia Svyrydenko

Notes to the Financial Statements

1.3.2 Board of Directors

Country	Director
Albania	Ms. Risena Xhaja
Armenia	Mr. Garegin Gevorgyan
Azerbaijan	Mr. Famil Ismayilov
Bulgaria	Ms. Milena Boikova
Georgia	Ms. Ekaterine Guntsadze
Greece	Ms. Ioanna Serafeim
Moldova	Ms. Elena Matveeva
Romania	Ms. Diana Blindu
Russia	Mr. Dmitry Birichevskiy
Turkiye	Mr. Kerem Donmez
Ukraine	Mr. Taras Kachka

1.4 Taxation

In accordance with Article 52 of the Establishing Agreement, the Bank, its assets, property, income and its operations and transactions are exempt from all taxation and all customs duties in all Member Countries.

The Bank is also exempt from any obligation for payment, withholding or collection of any tax or duty. Also, no tax shall be levied on salaries or emoluments paid by the Bank to employees. These tax exemptions are also included and elaborated upon in Article 12 of the Headquarters Agreement with the Hellenic Government, ratified by Greek Law 2380/No.38/7.3.1996.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

These financial statements for the year ended 2023 were submitted by the Management Committee to the Board of Directors (BoD) for approval on 30 May 2024 and were approved for issuance on that date.

Pursuant to Article 23 of the Establishing Agreement, these financial statements shall be subject to approval by the Board of Governors (BoG) in their Annual Meeting to be held on 5 July 2024.

Basis of measurement

The financial statements have been prepared on a historical cost basis except for the below assets and liabilities which have been measured at fair value:

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

Functional and presentation currency

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

Notes to the Financial Statements

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments and use of estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those reported. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The areas where the Bank has applied judgement and used estimates and assumptions are: estimation of expected credit losses of loans, fair valuation of financial instruments not quoted in active markets, including over the counter (OTC) derivatives and certain debt securities, impairment of equity investments, estimation of retirement benefits obligation.

The areas involving a higher degree of judgment or areas where assumptions and estimates are significant to the financial statements are disclosed in the Note 4.

2.2 Going Concern

The Bank's Board of Governors considered the Bank's ongoing financial sustainability when approving the Bank's "Long Term Strategic Framework (LTSF) 2021-2030" in June 2021, which reflects the Bank's prospects and the ways in which its shareholders would like it to evolve.

The financial statements for 2023 have been prepared on a going concern basis. As the Bank maintains its operational capacity and retains its strong capital and liquidity positions, the Board of Directors is of the view that the Bank will continue to operate as a going concern from the date of approval of the financial statements.

In the context of formulation and approval of the next Medium-term Strategy and Business Plan 2023-2026, the Board of Governors will provide the necessary guidance and in this context will recommend adjustments to the LTSF 2021-2030 to the extent to which it will be deemed appropriate.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied by the Bank in the preparation of these financial statements are presented in this section. These policies are the same as those applied for the comparative period presented taking into account the amendments to standards which were issued by the International Accounting Standards Board (IASB), which are further analyzed below:

3.1 Adoption of New and Amended Standards (IFRS)

New standards and amendments to standards which were issued by the International Accounting Standards Board (IASB), applied on 1 January 2023:

- **IAS 1: Presentation of Financial Statements**

IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments are effective for reporting periods beginning on or after January 1, 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted. The adoption did not have a material impact on the Bank's financial statements.

Notes to the Financial Statements

- **IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors**

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

Effective January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption did not have a material impact on the Bank's financial statements.

- **IFRS 16: Leases**

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. Effective January 1, 2019, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. The adoption did not have a material impact on the Bank's financial statements.

- **IFRS 17: Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] Effective January 1, 2021. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. This is not applicable to the Bank.

New standards and amendments to standards which were issued by the International Accounting Standards Board (IASB), applied on or after 1 January 2024:

- **IAS 1: Presentation of Financial Statements**

Amendment to IAS 1 – Non-current liabilities with covenants. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. Published January 2020 and November 2022, with effective date annual periods beginning on or after 1 January 2024. The adoption is not expected to have a material impact on the Bank's financial statements.

Notes to the Financial Statements

- **IAS 7 / IFRS 7: Statement of Cash Flows / Financial Instruments: Disclosures**

Amendment to IAS 7 and IFRS 7 - Supplier finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. Published May 2023 with effective date annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year). The adoption is not expected to have a material impact on the Bank's financial statements.

- **IAS 21: The Effects of Change in Foreign Exchange Rates**

Amendments to IAS 21 - Lack of Exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. Published August 2023 with effective date annual periods beginning on or after 1 January 2025 (early adoption is available). The adoption is not expected to have a material impact on the Bank's financial statements.

- **IFRS 16: Leases**

Amendment to IFRS 16 – Leases on sale and leaseback. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. Published September 2022 with effective date annual periods beginning on or after 1 January 2024. The adoption is not expected to have a material impact on the Bank's financial statements.

3.2 Foreign Currencies Translation

Foreign currency transactions are initially recorded in EUR by applying to the foreign currency amount the exchange rate between the EUR and the foreign currency at the rate prevailing at the date of transaction. When preparing the financial statements exchange gains and losses arising from the translation of monetary assets and liabilities denominated in foreign currencies at year end are recognized in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the exchange rate at the reporting date. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in Euro at the beginning of the year, adjusted for the effective interest, impairment and prepayments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year.

Notes to the Financial Statements

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in income statement except for foreign exchange differences on non-monetary items which are at FVTOCI as equity investments which are recognized in other comprehensive income.

The Bank uses the official exchange rates published for the EUR by the European Central Bank (ECB), exception for Russian Ruble from March 2022 onwards extracted from Central Bank of Russian Federation. The exchange rates used by the Bank at the financial position date were as follows.

		31 December 2023	31 December 2022
	= United States dollar	1.10500	1.06660
	= Pound sterling	0.86905	0.88693
	= Russian ruble	100.55060	76.07650
1 EUR	= Azerbaijan manat	1.88110	1.81140
	= Georgian lari	2.99600	2.88320
	= Armenian dram	447.90000	420.06000
	= Romanian leu	4.97560	4.94950

3.3 Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, placements with other financial institutions and debt securities with maturities of three months or less from the financial position date. These are highly liquid assets that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value due to the movements in market rates.

3.4 Recognition and Initial Measurement, and Derecognition of Financial Instruments

The Bank recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

3.4.1 Date of recognition

Financial assets and liabilities, with the exception of Note 3.5.1, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchase or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets and financial liabilities are measured initially at fair value plus, for an item not at Fair Value Through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Financial assets and financial liabilities at FVTPL are initially recognized at fair value and are thereafter carried at fair value. The fair value of a financial instrument at initial recognition is generally its transaction price.

3.4.2 Date of derecognition

The Bank derecognizes a financial asset or a portion of a financial asset when (i) the contractual rights to the cash flow from the financial asset expire, (ii) loses control of the contractual rights that comprise the financial asset or a portion of the financial asset or (i) the Bank retains the right to receive cash flows from the asset, but has assumed the obligation to pay it in full without material delay to a third party under a 'pass through' arrangement. The Bank derecognizes a financial liability when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires. The evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for derecognition transactions.

Notes to the Financial Statements

On derecognition of a financial asset, except for equity investments at FVTOCI, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI for investment securities is recognized in income statement.

Any cumulative gain or loss recognized in OCI in respect of equity investments designated as at Fair Value through Other Comprehensive Income (FVTOCI) is not recognized in income statement on derecognition of such investments but are recorded in retained earnings.

3.5 Financial Assets

The classification of financial assets defines how existing information is reflected in the financial statements. In particular, the valuation method and the impairment calculation are defined by this classification, which are based on relevant IFRS.

3.5.1 Classification and subsequent measurement

The Bank classifies a financial asset in its financial statements in one of the below three measurement categories:

1. *Financial assets measured at amortized cost (AC)*: this category includes each asset or group of assets for which the Bank's business model constitutes its holding for the purpose of collecting contractual cash flows. Financial assets are classified at AC only if both of the following criteria are met:

- The objective of the Bank's business model is to hold financial assets in order to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI test):

The Bank includes in this category financial assets which are non-derivative with fixed or determinable payments and with fixed maturities meeting the above criteria. They are initially recognized at fair value plus any transaction costs and including any premium or discount that may arise on the date of acquisition. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction. They are subsequently measured at AC using the effective interest method, less any allowance for expected credit losses. All such financial assets are primarily recognized on settlement date.

These financial assets include cash and due from banks, loans and advances that meet the above criteria. Loans and advances are recognized when funds are transferred to the customer's account.

2. *Financial assets measured at fair value through other comprehensive income (FVTOCI)*, with gains or losses reclassified on profit or loss on derecognition. The Bank classifies debt instruments (including Euro/US dollar commercial paper (ECP)) at FVTOCI when both of the following conditions are met:
 - The instrument is held within a business model, the objective of which is achieved by both collecting the contractual cash flows and selling financial assets; and
 - The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI test).

Notes to the Financial Statements

FVTOCI debt instruments are subsequently measured at fair value with gains and losses that arise from fluctuations in fair value recognized in OCI. Their fair value is determined by reference to quoted market bid prices. On derecognition cumulative gain or loss previously recognized in OCI are reclassified from OCI to income statement. Foreign exchange gains or losses and interest income calculated using the effective interest rate method are recognized in income statement. All such financial assets are recognized on trade date.

3. *Financial assets (equity instruments) measured at FVTOCI*, with no reclassification of gains or losses to profit or loss on derecognition. For equity investments for which the Bank made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3. These are usually equity instruments that represent a 'strategic investment'. Dividends received are recorded in the income statement.

After initial recognition at fair value, these financial assets are subsequently measured at fair value with all gains and losses arising from changes in fair value (realized and unrealized), including foreign exchange gains and losses, recognized in other comprehensive income, and are not reclassified to income statement. For those financial instruments there is no impairment assessment. The fair value for those not purchased from an active market is determined using accepted valuation techniques which use unobservable inputs. These valuation techniques used are net asset value, when this is deemed to approximate fair value, and earnings-based valuations using comparable information and discounting cash flows. The Bank's equity investments are included in this category. All such financial assets are recognized on settlement date.

4. *Financial assets measured at FVTPL*: this category includes financial assets that do not meet the criteria to be classified in any of the above categories. These financial assets are initially measured at their fair value and subsequently carried at fair value on the statement of financial position with all changes in fair value gains and losses and foreign exchange gains and losses, recognized in the income statement in the period in which they occur. Transaction costs on these financial assets are expensed in the income statement. Loans that have failed the SPPI test are included in this category.

The Bank has 3 business models (i) hold to collect (ii) hold to collect and sell (iii) trading portfolio. During the current reporting period the Bank had no financial assets within the trading portfolio.

3.5.2 Measurement

The Bank measures financial assets as detailed above at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Financial assets that are subsequently measured at either AC or debt instruments at FVTOCI, are subject to expected credit loss (ECL). Based on the Bank's credit policy, the Bank does not originate credit-impaired financial assets, nor does the Bank purchase credit-impaired assets, exception being those loans (or portion of) would be acquired at a deep discount.

It is Bank's policy financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

3.5.3 Business model assessment

The factor of the business model refers, amongst others, to the manner in which the Bank manages its financial assets by classifying them in portfolios that are part of its business model. The adopted business model determines the source of revenue, as it arises from individual portfolios either through the collection of contractual cash flows or from financial assets held to collect and sell.

The assessment of the business model reflects the Bank's strategy under normal business conditions. The assessment is not affected by actions required in 'emergency situations' (e.g.: liquidity needs, non-inherent capital requirements, governmental interference/restrictions, sanctions, or for credit risk, etc.).

In general, the Bank has included the majority of its loan portfolios in the hold-to-collect business model. The assessment of a business model is made within the definition of operational objectives as defined by the Bank's Management, as well as in the operational management of its assets. The assessment is effected at portfolio level rather than at individual asset levels.

The Business Model applied to loan portfolio and treasury portfolio is reassessed at each reporting period. The reassessment of the Business Model has been established in order to determine if evidence initially used has changed. The assessment process applied by the Bank through its business model, based on strategic objectives, classifies its assets in the following three categories in accordance with IFRS 9:

i) Hold to collect

The Bank holds financial assets within a business model whose objective is to hold assets in order to collect contractual cash flows that are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Bank manages the assets held within this portfolio to collect those particular contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling assets).

ii) Hold to collect and sell

The Bank holds financial assets within a business model whose objective is to collect contractual cash flows by both holding and selling financial assets.

iii) Trading portfolio

The financial assets held for trading are classified as 'Trading portfolio'. The Bank had no financial assets in trading portfolio.

3.5.4 Loans

Loans originated by the Bank, is where money is provided directly to the borrower. Loans are initially recorded at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (e.g., front-end and commitment fees) that are regarded as an adjustment to the effective interest rate of the loan, and are subsequently measured at amortized cost using the effective interest rate method.

The Bank classifies in the loan portfolio bonds which are purchased to support the Bank's development impact and such purchases are performed based on the Bank's loan financing criteria and follow the thorough appraisal and approval process of the Bank. Such bonds at 31 December 2023 were a gross amount of EUR 274,233 thousand (2022: EUR 331,807 thousand). Management has concluded that presentation within loans present fairly the Bank's financial position.

Loans that had failed the SPPI test are recognized at fair value and measured at fair value. The fair value can be derived by valuation models/techniques used are discounted payment/cashflows using applicable interest rate and net asset value.

Notes to the Financial Statements

3.6 Expected Credit Losses (ECL)

3.6.1 Financial assets

The Bank records an allowance for expected credit loss for all loans and loans receivables, and other debt instruments held at amortized cost, together with off balance sheet items (loan commitments and financial guarantee contracts). In this section, all referred to as 'financial instruments'. Equity instruments are not subject to impairment.

The basis of inputs and assumptions and the estimation techniques used are as follows:

i) Measure the 12-month and lifetime expected credit losses

ECLs are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments, the Bank records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument.

For the purposes of calculating expected credit losses, the financial instruments are classified in three stages as follows:

- Stage 1: Stage 1 includes performing exposures that do not have significant increase in credit risk since initial recognition. Stage 1 also includes exposures for which credit risk has been improved and the exposure has been reclassified from Stages 2 or 3. In this stage expected credit losses are recognized based on the probability of default within the next 12 months.
- Stage 2: Stage 2 includes performing exposures for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes exposures for which the credit risk has improved, and the exposure has been reclassified from stage 3. In this stage lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes non-performing/credit-impaired exposures. In this stage lifetime expected credit losses are recognized.

There can be transfers of exposures from one stage to another, depending on whether there is a change in the credit risk of that exposure.

ii) Basic parameters used for the calculation of expected credit loss

The calculation of expected credit losses is based on the following parameters:

- Probability of Default (PD) represents the probability that a debtor will default on his debt obligations either over the next twelve months or over the remaining maturity of his debt. In accordance with IFRS 9.
- Exposure at Default (EAD) is defined as the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and undrawn commitments using the credit conversion exposure factor (CCF).

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- Loss Given Default (LGD) represents the extent of the loss that the Bank expects for exposures that are in default and is defined as the difference between the contractual cash flows and those that the Bank expects to collect, including collateral amounts. LGD, which is usually expressed as a percentage of the EAD, varies according to the category of the counterparty, the category and priority of the claim, the existence of collateral and other credit enhancements.

The Bank uses information obtained from the Global Emerging Markets (GEMs) database in order to assign LGD to its loan asset classes. GEMs is an International Financial Institution (IFI) wide initiative designed to pool default and recovery rates experienced by IFIs in emerging markets. Treasury asset classes derive their PDs from the assigning rating agency.

iii) Determine whether the credit risk of financial instruments has increased significantly since initial recognition

The Bank assigns credit rating to each loan at inception based on the internal scorecard methodologies for Financial Institutions, Corporates or Project Finance and all loans are subject to annual credit review if rated to a category up to BB+, while all loans below that rating are subject to semi-annual credit review. The credit rating is primary input to the PD which is calculated based on statistical model and incorporates macroeconomic projections.

At each reporting date, the Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank compares the probability of default (PD) of the financial instrument as at the reporting date with the probability of default (PD) of the financial instrument as at the date of initial recognition, that is indicative of significant increases in credit risk since initial recognition.

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2, a combination of quantitative and qualitative risk metrics are used. All loans with at least a 3-notch downgrade on the Bank's internal ratings scale since origination, all loans for which the contractual payments are overdue by between 31 and 90 days inclusive, as well as all loans placed on the 'watch list' are transferred to Stage 2.

For financial guarantee contracts, the date the Bank becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purpose of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in credit risk since initial recognition of a financial guarantee contract, the Bank considers the risk that the specified debtor will default on the contract in line with the above determination for loans.

The assessment of significant increase in credit risk is key in transferring an exposure from Stage 1 to Stage 2 and the respective change in the ECL measurement from 12-month to lifetime ECL.

iv) Determine whether a financial asset is lifetime expected losses or credit-impaired

A financial asset is transitioned to Stage 3 assigned lifetime expected losses when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Generally, there will be a significant increase in credit risk before a financial asset becomes credit-impaired, e.g., is already within Stage 3 and an actual default occurs. Evidence that a financial asset has lifetime expected losses and/or is credit-impaired includes observable data about the following events:

- Is performing but automatically assigned due to significant credit rating downgrades;
- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default (see definition of default);

Notes to the Financial Statements

- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired.

v) Definition of default

The definition of default used for determining the risk of a default occurring shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. The Bank's definition of default is based on the regulatory definition under Article 178 of the 'Regulation (EU) No 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013 on prudential requirements for credit banks and investment firms and amending Regulation (EU) 648/2012' (CRR). A default is considered to have occurred when either of the following conditions had taken place.

a. Qualitative

Unlikelihood to Pay (UTP) criterion: the Bank considers that the obligor is unlikely to pay its credit obligations to the Bank without recourse by the Bank to actions such as realizing security. Below there are some elements that are taken as indications of unlikelihood to pay (in line with CRR (Article 178)).

- The Bank puts the credit obligation on non-accrued status.
- The Bank recognizes a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the institution taking on the exposure.
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Bank, the parent undertaking or any of its subsidiaries.
- The obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Bank, the parent undertaking or any of its subsidiaries.

b. Quantitative

Past due criterion: the exposure is past due more than 90 days on principal, or considerable other credit, obligation to the Bank.

Impairment losses for guarantees are recognized while a guarantee is in effect and the amounts are determined based on the level of utilization of the guarantee.

If the amount of impairment subsequently decreases due to an event occurring after a write-down, the release (i.e., reverse) of the impairment is credited to the provision for impairment asset losses. Unwinding of the discount is treated as income and remaining provision is then reassessed.

Notes to the Financial Statements

vi) How forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information

The calculation of Lifetime PDs for each facility is based on macro PD models which have been developed for each Member State of the Bank. The macro PD models incorporate forward-looking macroeconomic variable projections for each Member State. The macro PD models are used to calculate the Lifetime PD curves which are in turn used for the calculation of the Lifetime ECL.

vii) Changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes

The Bank's ECL model, including the Macroeconomic Probability of Default model, Lifetime PD and Expected Credit Loss (ECL) methodologies, were redeveloped by the Bank as of December 2023, and they are encompassed in the Bank's updated integrated 'ECL Tool'. For the calculation of ECL for Stage 3 loans, the LGD has been estimated using individual assessment which take into account certain assumptions involving optimistic and pessimistic scenarios. Due to the high uncertainty related to the current geopolitical situation, the status and assumptions behind such operations are subject to regular review. For more information refer to Note 12 "Expected credit losses".

3.6.2 Non-financial assets

At each financial position date, the Bank reviews the carrying value of the non-financial assets and assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the book value of the specific assets can be recovered. The recoverable amount is the higher amount between the fair value less cost of disposal and of the value in use (as calculated from the net cash flows). If the carrying value of a non-financial asset exceeds its recoverable value, then an impairment loss is recorded in the income statement.

3.6.3 Renegotiated financial assets

For those loans that may be renegotiated in response to an adverse change in the financial condition of the borrow, where the original loan has been significantly amended it will be derecognized and replaced with a new loan. To the extent the original loan is retained, any changes in present value attributable to the modification will be recognized as an adjustment to the carrying value of the asset with the associated gains or losses on modification recognized in the income statement.

Notes to the Financial Statements

3.6.4 Write-offs

According to the IFRS 9 (B5.9), the gross carrying amount of a financial asset may be directly reduced when there is no reasonable expectation of recovering the financial asset in its entirety or a portion of it. As such, the Bank may record a write-off of Stage 3 loans. The Bank may also, on an ad-hoc basis, examine the need for any further write-offs of Stage 2 loans if there is relevant evidence.

3.6.5 Write-backs

Recoveries (write-backs) of an asset, or part thereof, are credited to the income statement if previously written off.

3.7 Financial Liabilities

The Bank recognizes a financial liability in its financial statements at the time of the transaction took place. Financial liabilities primarily include (a) borrowings and (b) other liabilities.

3.7.1 Borrowings

Borrowing transactions which are amounts due to financial institutions and debts evidenced by certificates, are recognized in the statement of financial position at the time the funds are transferred to the Bank. They are measured initially at the fair value of the funds transferred, less any transaction costs. They are subsequently measured at amortized cost unless they qualify for hedge accounting in which case the amortized cost is adjusted for the fair value movements attributable to the risks being hedged. Interest expense is accrued in the income statement within "Interest expense".

3.7.2 Other liabilities

Other liabilities that are not derivatives or designated at FVTPL, are measured at amortized cost. The amounts include accrued finance charges on borrowings and other accounts payable.

3.8 Offsetting of Financial Assets and Liabilities

Offsetting of financial assets and liabilities in the financial statements is permitted if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.9 Financial Instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties, where future payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

The Bank primarily makes use of derivatives for the below strategic purposes:

- Many of the Bank's issued securities, excluding commercial paper, are individually paired with a swap to convert the issuance proceeds into the currency and interest rate structure sought by the Bank.
- To manage the net interest rate risks and foreign exchange risks arising from all financial assets and liabilities.
- Through currency swaps, to manage funding requirements for the Bank's loan portfolio.

Notes to the Financial Statements

Derivatives can include interest rate and cross currency swaps, forward foreign exchange contracts, interest rate future contracts, and options on interest rates and foreign currencies. Such financial instruments are initially recognized in the statement of financial position (SOF) at fair value and are subsequently measured at their fair value. They are carried in the SOFP as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in fair value of derivative financial instruments are included in the income statement. Fair values are obtained from quoted market prices to the extent publicly available, discounted cash flows and options pricing models as appropriate.

The Bank enters into hedging relationships to protect the Bank from financial risks such as currency risk, market risk and interest rate risk. The Bank's policies on risk management are to not take significant interest rate or foreign exchange risks, and to aim where possible to match assets, liabilities and derivatives.

The majority of the Bank's lending activities is at floating rates linked to Euro or US dollar. When lending at a fixed rate the Bank will often use interest rate swaps to produce floating rate interest payments.

The Bank's borrowings, particularly bonds issuances, tend to be at a fixed rate and sometimes in currency denominations other than Euro or US dollar. The Bank in order mitigate the aforementioned underlying risks uses either interest rate or cross currency interest rate swaps to produce floating rate liabilities in Euro or US dollar.

All the Bank's interest rate or cross currency swaps are explicitly tied to a balance sheet asset or liability. Typically, the fixed rate on the swap and the matching asset or liability has the same characteristics (term, payment dates etc.).

Foreign exchange forwards (paired purchases and sales of currencies on different dates) of maturities typically less than three months are not tied to specific assets or liabilities. These are undertaken to manage surpluses and shortfalls in Euro and US dollar and are not undertaken for speculative purposes. All derivatives are documented under International Swaps and Derivatives Association (ISDA) master netting agreement with Credit Swap Annexes (CSAs) and marked to market and cash collateralized daily. The Department of Treasury, under the guidance of ALCO and the supervision of the ALM unit, is responsible for the primary usage and managing interest rate and currency risks in the Bank's statement of financial position.

The notional amounts and fair values of the derivative instruments are disclosed in Note 14. The fair value hierarchy level of derivatives is disclosed in Note 5.

3.9.1 Derivatives and hedge accounting

The Bank designates certain derivatives as hedging instruments in respect of foreign currency rate and interest rate risk in fair value or cash flow hedges. The bank does not apply fair value hedge accounting of portfolio of hedges of interest rate risk. In addition, the bank does not use the exception to continue using IAS 39 hedge accounting rules, that is the Bank applies IFRS 9 in full.

In accordance with its wider risk management, as set out in Note 5, when a hedging relationship meets the specified hedge accounting criteria, it is the Bank's strategy to apply either fair value or cash flow hedges based on the exposure being hedged. Transactions that are entered into in accordance with the Bank's hedging objectives, but do not qualify for hedge accounting, are referred to in these financial statements as economic hedge relationships.

At the inception of the hedge relationship, the Bank formally documents how the hedging relationship meets the hedge accounting criteria, by recording the economic relationship between the hedged item and the hedging instrument, the nature of the risk, the risk management objective and strategy for undertaking the hedge as well as the method that will be used to assess the effectiveness of the hedging relationship. Furthermore, both at the inception and on an ongoing basis (at least on each reporting date or upon significant change, whichever comes first), the Bank documents whether an economic relationship exists between the hedging instrument and the hedged item.

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In order the Bank to apply hedge accounting, the following requirements must be met:

- There must be an expectation that the fair value or the cash flows of the hedging instrument and the value or the cash flows of the hedged item, will “systematically” change in response to movements in the same underlying(s) that are economically related, providing a degree of offset between the hedged item and the hedging instrument. The assessment relates to expectations about hedge effectiveness and is only forward-looking.
- The effect of credit risk should not dominate the value changes that result from that economic relationship.
- The weightings of the hedged item and the hedging instrument, which define the hedge ratio of the hedging relationship, are the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item.
- If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Bank adjusts the hedge ratio of the hedging relationship by rebalancing the hedge, so that it meets the qualifying criteria again.

For the assessment of hedge effectiveness requirements and when measuring the hedge effectiveness / ineffectiveness, the Bank uses qualitative and supplementary quantitative analysis where applicable. Sources of hedge ineffectiveness between the hedged items and hedging instruments, can arise from:

- Differences in timing of cash flows.
- Different applied discount interest rate curves.
- Non-nil fair value of derivatives at the designation date.
- The effect of changes in counterparties’ credit risk on the fair values.

The Bank discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable) or the hedging instrument expires or is sold, terminated or exercised.

The notional amounts and fair values of the derivative instruments designated are disclosed separately in Note 14. Hedge accounting disclosures are provided in Note 5.

3.9.1.1 Fair value hedges

Applying fair value hedge accounting enables the Bank to reduce fair value fluctuations of the recognized fixed rate financial liabilities as if they were floating rate instruments linked to the attributable benchmark rates, thus hedging the exposure that is attributable to interest rate risk/foreign currency risk and could affect reported earnings.

The Bank only hedges changes due to interest rates, such as benchmark rates, which are typically the most significant component of the overall fair value change. The Bank assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates.

For designated and qualifying fair value hedges, the change in the fair value of the qualifying hedging instruments is recognized in profit or loss whereas the carrying value of a hedged item that is not already measured at fair value, is adjusted for the fair value change attributable to the hedged risk in the statement of financial position, with a corresponding entry in profit or loss. The Bank recognizes the hedging gains or losses from the hedging instrument in profit or loss, in the same line as the adjustment for the hedged item (“net fair value gains (losses) on derivative instruments”). Accordingly, any ineffective part is recognized immediately in profit or loss.

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Upon discontinuation of hedge accounting, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk, is amortized to profit or loss from that date, based on how the hedged item impacts profit or loss. If the hedged item is derecognized, the unamortized fair value hedge adjustment included in the carrying amount of the hedged item is recognized immediately in profit or loss.

3.9.1.2 Cash flow hedges

Applying cash flow hedge accounting, the Bank hedges the exposure to the variability in cash flows attributable to interest rate risk and foreign exchange risk associated with a recognized liability that could affect reported earnings.

The effective portion of changes in the fair value of the derivative is recognized in Other Comprehensive Income (OCI) and presented in the cash flow hedge reserve within equity ("Cash Flow Hedge Reserve"), whereas any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in the cash flow hedge reserve is limited to the cumulative fair value hedge of the hedged item from the inception of the Hedge less any amounts recycled to profit or loss.

For assessing the hedge effectiveness, the hypothetical derivative approach is applied, which involves establishing a notional derivative that would be the ideal hedging instrument for the hedged exposure (i.e. swap with a zero fair value at inception of the hedge relationship with the same critical terms as the hedged items) and then use as a proxy for measuring hedge effectiveness, the comparison between the cumulative changes in the fair value of the hypothetical derivative and the fair value of the actual hedging instrument.

Provided that the hedged cash flows are no longer expected to occur, then the Bank immediately reclassifies the amount in the cash flow hedge reserve from OCI to profit or loss, however on hedge discontinuations, if the hedged cash flows are still expected to occur, then the amount accumulated in the cash flow hedge reserve is not reclassified until the hedged cash flows affect profit or loss.

3.10 Share Capital and Dividends

In accordance with Article 36 of the Establishing Agreement, the Board of Governors shall determine annually what part of net income or surplus of the Bank from operations shall be allocated to reserves, provided that no part of the net income or surplus of the Bank shall be distributed to members by way of profit until the general reserves of the Bank shall have attained the level of 10% of the subscribed capital including all paid, unpaid but payable, and unpaid but callable share capital.

3.11 Reserves and Retained Earnings

In accordance with the Establishing Agreement of the Bank the general reserve is created from the profits of the Bank for meeting any unforeseeable risks or contingencies. The revaluation reserve represents the accumulated change in fair value of those financial assets that are measured at fair value through other comprehensive income of the Bank. The retained earnings of the Bank is the accumulated undistributed and unallocated net income over the years.

Notes to the Financial Statements

3.12 Income and Expense

Interest income and expense are recognized in the income statement using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the EIR for financial instruments other than purchased or originated credit-impaired assets the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the ECL. For purchased or originated credit-impaired financial assets (POCI), a credit-adjusted EIR is calculated using estimated future cash flows including the ECL. At the reporting date the Bank had no POCI.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

1. Amortized cost (AC) and gross carrying amount

The AC of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance. The gross carrying amount of a financial asset' is the AC of a financial asset before adjusting for any ECL allowance.

2. Calculation of interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments using the effective interest rate method (EIR). This method is the rate that discounts estimated future receipts or payments, to the gross carrying amount of the financial instrument. The method requires that, in addition to the contractual interest rate attached to a financial instrument, those fees and direct costs associated with the originating the instrument are also recognized as interest income. The EIR is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. Further details are as below.

- Loans: represent interest income on loans, however loans that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net balance of the loan. If the loan is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.
- Fixed-income debt securities and other: represents interest income on treasury investments.
- Interest and similar expense: represent interest expense on all borrowed funds. The majority of the Bank's borrowings are undertaken through the issuance of bonds or private placements.
- Net interest income/(expense) on derivatives: represent interest on derivatives using the contractual interest rate. The Bank does not have a trading portfolio.
- Fees and commission income and expense that are integral to the EIR: represents front-end fees, and to loan commitments are deferred and amortized to interest income over the life of the instrument using the effective interest rate method.

Notes to the Financial Statements

3. Other Fees and commission

Other fee and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognized as the related services are performed.

Fee and commission income from contracts with customers under the scope of IFRS 15 is measured based on the consideration specified in a contract with a customer. The Bank recognizes such revenue when it transfers control over a service to a customer.

4. Interest rate benchmark reform

Up until 30 June 2023 the Bank continued the usage of USD LIBOR as the interest rate benchmark of which the Bank was exposed to, as there was uncertainty to the timing and precise form of the new benchmark that was yet to be finalized.

- According to the announcements of the Financial Conduct Authority (FCA), the end of 2021 brought to a close the first major phase of LIBOR cessation with 24 of the 35 LIBOR settings ceasing. Furthermore, the continuation of some USD LIBOR settings through 30 June 2023 is intended only to support the transition of legacy products.

On 1 July 2023 the Bank fully transitioned to the Secured Overnight Financing Rate (SOFR) for reference US dollar with published: overnight, 1-month, 3-month 6-month and 12-month USD rates. Prior to this date the Bank had incorporated, where applicable, fallback language in existing USD loan signings that facilitated an amendment from LIBOR to the SOFR, alternative reference rate when LIBOR ceased to be a reference rate for the Bank. From this date onward the Bank has not signed new loans linked to LIBOR.

3.13 Staff Retirement and Termination Benefits

The Bank has established a pension plan, where the fund's assets are held separately from the Bank's own assets, for all its eligible employees, consisting of three pillars:

- a. The first pillar is a defined post-employment benefit scheme financed entirely by the Bank. The scheme's funding level and the Bank's contributions are determined on the basis of actuarial valuations performed by qualified, independent actuaries on an annual basis at the end of each annual reporting period. The actuarial valuation uses the projected unit credit method and a number of financial and demographic assumptions. The most significant assumptions include age, years of service or compensation, life expectancy, the discount rate, expected salary increases and pension rates. The actuarial liability is the present value of the defined benefit obligation as at the reporting date minus the fair value of the plan assets. The Bank is under the obligation to maintain the scheme fully funded, and to this effect, has always liquidated any past service deficit over the course of the year following the relevant actuarial valuation.

Actuarial and asset gains or losses are recognized in 'Other comprehensive income', and net gains or losses are included in remeasurements where any change in the effect of the asset ceiling, excluding those amounts that have been already included in personnel expenses, are also included.

- b. The second pillar is a defined post-employment contribution scheme to which both the employee and the Bank contribute equally at a rate of 0-12% of basic salary. The Bank has no obligation to pay further contribution if the employee discontinues their contribution. Each employee determines his/her contribution rate and the mode of investment of the contributions.

Notes to the Financial Statements

- c. The third pillar is a defined contribution scheme funded entirely by each employee, up to 40% of basic salary and is not recorded in the Bank's financial statements.

As an alternative, staff are entitled to retirement benefits from the Greek State Social Insurance Fund (EFKA), which is a defined contribution scheme.

Current service costs in respect of both the pension plan (a) and (b) and EFKA are recognized as an expense in the period which they relate and are included in 'Personnel expenses'.

The Bank may offer termination benefits to employees that are separated based on the Bank's separation policy. These benefits, including indemnities and any related retirement benefits, are recognized in income as an expense in the same period they are incurred.

3.14 Related Parties

Related parties include entities, which the Bank has the ability to exercise significant influence in making financial and operational decisions. Related parties include key management personnel, and close family members of key management personnel.

Related parties include special funds that are administered by the Bank.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Bank's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense and accompanying notes. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. The Bank believes that the significant judgments, estimates and assumptions used in the preparation of its condensed interim financial statements are appropriate given the factual circumstances as of the date of preparation.

The most significant areas, for which critical judgments, estimates and assumptions are required in applying the Bank's accounting policies, are the following:

- a. Fair value estimates for financial instruments measured at fair value.
- b. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD) and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan.

A number of critical accounting estimates are therefore made in the calculation of expected credit losses for loans as follows:

- Criteria used for staging assessment of loans and advances.
- Assumptions for future cashflows of individually assessed loan exposures.
- The input and assumptions used to estimate the impact of multiple economic scenarios.

For the majority of Stage 3 loans the LGD has been estimated using individual assessment impairment exercises. Such estimates are based on discounted cash flow approach incorporating certain assumptions and available information including information relating to collaterals liquidation. For more information refer to Note "Expected credit losses".

Notes to the Financial Statements

5. RISK MANAGEMENT

The Bank's activities are subject to a variety of risks, some of which are not within the Bank's control: including risks relating to changes in interest rates, foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan portfolio. The Bank monitors and manages the maturities of its loans, its interest rate and exchange rate exposure, its liquidity position and the credit quality of each individual loan and equity investment in order to minimize the effects of changes in them relative to the Bank's profitability and liquidity position. The BoD has approved risk management policies and guidelines that are delegated to the Management of the Bank for the identification and measurement of risk, as well as being subject to risk limits and controls.

To manage risks the Bank has established an Asset and Liability Committee (ALCO), a Credit Committee (CC) that implement the Bank's credit and lending policies, the Legal Affairs Department, the Risk Management Department and the Financial Analysis Department, which together are responsible for devising, implementing and monitoring the Bank's risk management policies, including financial, credit and market risks.

The ALCO is responsible for monitoring and managing the Bank's overall asset and liability position in accordance with the Bank's treasury policies. It monitors and manages the Bank's liquidity position, maturity gaps, interest income and expense and the condition of the international financial markets and is responsible for assigning market risk limits. The ALCO consists of members of the Bank's Management and a member of the Treasury Department and has regular monthly meetings.

The Credit Committee is responsible with respect to credit matters. Its key responsibilities include: approval of lending operations for submission to the BoD for final approval, establishing specific parameters (e.g. policies, limits, targets, guidelines) for operational decision-making, approval of changes to the manuals that prescribe how operations are to be analyzed, approved, administered and monitored and approval of any amendments, restructuring and other operation-related matters. The Credit Committee consists of members of the Bank's Management, and has regular meetings as required to monitor and manage overall risk concentration by reference to borrower and industry exposure and critically reviews each individual loan and equity investment proposal made by the lending business areas. A major function of the Credit Committee is to minimize the credit risk presented by each individual loan and equity investment proposal, and the overall portfolio risk of the Bank.

Once an operation is approved and disbursed, it is then monitored to ensure thorough and regular evaluations of its credit quality. Operations are monitored according to a schedule coordinated by the of Project Implementation and Monitoring Department, with inputs from the originating Operation Teams regarding the availability of financial data. Monitoring reports are completed by the Bank's Project Implementation and Monitoring Department based on financial analysis prepared by the Financial Analysis Department. Risk asset reviews, based on the previously mentioned monitoring reports, are performed by the Risk Management Department, and may result in a downgrade or upgrade of an operation's status and, if a significant deterioration is noted, trigger an impairment test.

Should an operation display signs of weakness during the regular monitoring and/or through risk asset reviews, an impairment test is immediately carried out by the Risk Management Department and appropriate remedial actions are taken, as required. These measures include, but are not limited to, a detailed assessment of the financial and operational performance of the operation, additional due diligence, stopping disbursement of any undisbursed amounts, preparation of remedial strategies and carrying out further impairment tests. Besides, in addition to regular site visits carried out by the Operations Teams, such a visit can be conducted by the Project Implementation and Monitoring Department and, when appropriate, accompanied by the Financial Analysis Department.

For the Bank a conservative approach to risk taking together with effective risk management, are critical to the Bank's continuing operations. The application of sound banking principles in the Bank's credit process seeks to ensure that the significant credit risks are properly identified and managed while other risks resulting from its activities are mitigated to the extent possible.

Notes to the Financial Statements

Importantly, the Bank is recognized as an international financial institution, and as such can expect to benefit from the preferred creditor status customarily and historically afforded to such institutions. This preferred creditor status serves to provide an additional layer of comfort against the risks of non-payment on sovereign debt or by private sector borrowers as a result of local laws creating a delay or freeze on foreign-currency exchanges. The Bank is exposed to the following risks discussed below.

Financial Risk

The Bank's exposure to financial risk is through its financial assets and financial liabilities including any receivables from these financial assets. The key aspects of the Bank's financial risk are (i) credit risk (ii) liquidity risk and (iii) market risk.

a) Credit risk

The Bank is subject to credit risk, which is the risk that customers or counterparties will be unable to meet their obligations as they fall due. Credit risk arises principally from the Bank's lending activities as well as other activities where the Bank is exposed to counterparty default risk. Regular reviews by the departments of Risk Management, Financial Analysis and Project Implementation and Monitoring are conducted of all exposures within the lending portfolios, typically on a semi-annual basis, though exposures that are perceived to be more vulnerable to possible default are reviewed more frequently.

At each review there is (i) an assessment of whether there has been any change in the risk profile of the exposure (ii) recommendations of actions to mitigate risk and (iii) reconfirming or adjusting the risk ratings, and for equity investments, reviewing of fair value. Where relevant, the level of the expected credit loss is evaluated and reconfirmed or adjusted. Responsibility for operations considered to be in jeopardy may be transferred from the original lending department to a corporate recovery team in order to most effectively manage the restructuring and recovery process.

For credit risks incurred by the Bank's Treasury in its investment and hedging activities, the BoD has approved policies and guidelines for the determination of counterparty and investment exposure limits in bonds, that includes Member State bonds, and euro commercial paper. The Bank's Risk Management Department assigns and monitors these counterparty and issuer credit risk limits. Treasury credit risks are also reviewed on a regular basis by the Bank's ALCO.

For the reporting year derivatives included in the SoFP derivatives financial instruments-assets an amount of EUR 35,413 thousand the corresponding cash collateral received was EUR 1,600 thousand, and derivatives financial instruments-liabilities an amount of EUR 108,916 thousand the corresponding cash collateral received was EUR 80,120 thousand.

The table below summarizes the maximum exposure to credit risk without taking into consideration collateral, other credit enhancements or expected credit loss.

Presented in EUR (000)	Principal type of collateral held	At 31 December 2023	At 31 December 2022
Cash and due from banks		375,390	208,338
Deposits in margin accounts		80,120	114,430
Debt investment securities		94,986	525,224
Derivative financial instruments	Deposits in margin accounts	35,413	42,338
Loans	Sovereign, property, other	1,575,921	2,056,336
Equity investments		10,665	12,440
Accrued interest receivable		32,018	38,054
Other assets		16,398	17,054
Asset held for sale		2,962	-
On-balance-sheet		2,223,873	3,014,214
Undrawn commitments	Sovereign, property, other	73,034	118,937
Total		2,296,907	3,133,151

Notes to the Financial Statements

a1. Analysis by rating agency

The tables below provide an analysis of financial assets, excluding loans which are separately provided below in credit risk analysis. The Bank uses credit ratings per Moody's rating agency in disclosing credit quality. When counterparties do not have ratings per Moody's but, are rated by Standard & Poor's and/or Fitch rating agencies, the ratings are converted to Moody's equivalent as follows.

Presented in EUR (000)	2023					Total
	Aaa – Aa3	A1 – A3	Baa1 – B3	Caa1 – C3	Unrated	
Analysis by Moody's rating						
Cash and bank balances	261,176	60,962	5,565	-	47,687	375,390
Deposits in margin accounts	45,660	34,460	-	-	-	80,120
Debt investment securities	8,686	50,000	31,746	4,554	-	94,986
Derivatives financial instruments	-	-	-	-	35,413	35,413
Equity investments	-	-	-	-	10,665	10,665
Accrued interest receivable	-	-	-	-	32,018	32,018
Other assets	-	-	-	-	16,398	16,398
At 31 December	315,522	145,422	37,311	4,554	142,181	644,990

Of which issued by

Corporates/governments	8,686	50,000	31,746	4,554	10,665	105,651
Cash deposits at banks	306,836	95,422	5,565	-	47,687	455,510
Other	-	-	-	-	83,829	83,829
At 31 December	315,522	145,422	37,311	4,554	142,181	644,990

Of which classified as

Fair value through profit or loss	-	-	-	-	35,413	35,413
Fair value through OCI	8,686	50,000	31,746	4,554	10,665	105,651
Amortized cost	306,836	95,422	5,565	-	96,103	503,926
At 31 December	315,522	145,422	37,311	4,554	142,181	644,990

Notes to the Financial Statements

Presented in EUR (000)	2022					Total
	Aaa – Aa3	A1 – A3	Baa1 – B3	Caa1 – C3	Unrated	
Analysis by Moody's rating						
Cash and bank balances	91,647	94,789	12,671	-	9,231	208,338
Deposits in margin accounts	-	106,350	8,080	-	-	114,430
Debt investment securities	8,857	466,258	46,237	3,872	-	525,224
Derivatives financial instruments	-	-	-	-	42,338	42,338
Equity investments	-	-	-	-	12,440	12,440
Accrued interest receivable	-	-	-	-	38,054	38,054
Other assets	-	-	-	-	17,054	17,054
At 31 December	100,504	667,397	66,988	3,872	119,117	957,878
Of which issued by						
Corporates/governments	8,857	466,258	46,237	3,872	12,440	537,664
Cash deposits at banks	91,647	201,139	20,751	-	9,231	322,768
Other	-	-	-	-	97,446	97,446
At 31 December	100,504	667,397	66,988	3,872	119,117	957,878
Of which classified as						
Fair value through profit or loss	-	-	-	-	42,338	42,338
Fair value through OCI	8,857	466,258	46,237	3,872	12,440	537,664
Amortized cost	91,647	201,139	20,751	-	64,339	377,876
At 31 December	100,504	667,397	66,988	3,872	119,117	957,878

Notes to the Financial Statements

a2. Credit risk analysis

The tables below provide an analysis of the Bank's internal expected credit loss rating scale from 1 (lowest risk) to 15 (highest risk) and how it corresponds to the external ratings of Moody's credit rating service.

Risk rating	Internal risk rating category	External rating equivalent	Grade of investment
1	Excellent	Aaa	Investment
1	Very strong	Aa1 – Aa3	Investment
2	Strong	A1 – A3	Investment
3,4,5	Good	Baa1 – Baa3	Investment
6,7,8	Fair	Ba1 – Ba3	Investment
9,10,11	Weak	B1 – B3	Investment
12,13,14	Special attention	Caa1 – Caa3	Classified
15	Expected loss	Ca – C	Classified

a3. Credit risk in loans portfolio

The following tables presents loans measured at amortized cost by IFRS 9 Stage and credit quality, as well as loans that are measured at fair value through profit or loss by credit quality, at 31 December 2023 and 31 December 2022.

Loans at amortized cost: presented in EUR (000)

Internal risk rating category	12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total	ECL allowance			Total
					12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	
Excellent	-	-	-	-	-	-	-	-
Very strong	-	-	-	-	-	-	-	-
Strong	-	-	-	-	-	-	-	-
Good	-	-	-	-	-	-	-	-
Fair	633,350	-	-	633,350	702	-	-	702
Weak	313,292	257,801	-	571,093	1,041	194	-	1,235
Special attention	4,525	204,566	127,783	336,874	148	19,740	40,208	60,096
Expected loss	-	-	23,777	23,777	-	-	21,900	21,900
At 31 December 2023	951,167	462,367	151,560	1,565,094	1,891	19,934	62,108	83,933

Loans at amortized cost: presented in EUR (000)

Internal risk rating category	12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total	ECL allowance			Total
					12-month ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	
Excellent	-	-	-	-	-	-	-	-
Very strong	-	-	-	-	-	-	-	-
Strong	-	-	-	-	-	-	-	-
Good	-	-	-	-	-	-	-	-
Fair	586,023	-	18,375	604,398	508	-	6,092	6,600
Weak	383,524	290,177	-	673,701	628	1,082	-	1,710
Special attention	10,208	578,786	147,490	736,484	66	35,432	41,281	76,779
Expected loss	-	-	26,403	26,403	-	-	21,387	21,387
At 31 December 2022	979,755	868,963	192,268	2,040,986	1,202	36,514	68,760	106,476

Loans at fair value: presented in EUR (000)

Internal risk rating category	Fair value 2023	Fair value 2022
Excellent	-	-
Very strong	-	-
Strong	-	-
Good	-	10,610
Fair	10,827	-
Weak	-	-
Special attention	-	4,740
Expected loss	-	-
At 31 December	10,827	15,350

Notes to the Financial Statements

a4. Credit risk by country and sector

The Bank is restricted to operating in its 11 Member States and individual country limits are set as a maximum at 30% of planned commitments. This limit is calculated on the basis of the BoD approved operations, minus repayments and cancellations. Individual operations are further constrained by the Single Obligor Limit and by monitoring of Sectoral Exposure.

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

Presented in EUR (000)	At 31 December 2023		At 31 December 2022	
	Outstanding balance	Undrawn commitments	Outstanding balance	Undrawn commitments
Concentration by instrument				
Loans	1,575,921	64,829	2,056,336	73,360
Equity investments	10,665	3,037	12,440	4,000
Guarantees	-	5,168	-	41,577
At end of year	1,586,586	73,034	2,068,776	118,937
Concentration by country				
Albania	2,543	12	10,392	12
Armenia	29,023	75	79,225	90
Azerbaijan	5,431	12	12,649	12
Bulgaria	208,428	39,171	259,364	12,542
Georgia	31,501	4,689	49,635	6,229
Greece	318,029	1,500	277,790	60,316
Moldova	36,771	1,445	52,768	1,012
Romania	173,714	1,599	202,202	11,693
Russia	162,006	443	400,994	17,943
Turkiye	432,585	806	460,510	806
Ukraine	186,555	23,282	263,247	8,282
At end of year	1,586,586	73,034	2,068,776	118,937
Concentration by sector				
Consumer discretionary	54,264	15,000	85,484	8,000
Consumer staples	137,823	37,866	218,057	7,808
Energy	91,254	-	55,818	52,026
Financial institutions	188,879	3,037	322,594	5,000
Health care	98,593	-	107,946	-
Industrials	352,519	3,963	407,969	4,526
Materials	163,392	-	316,205	-
Real estate	86,831	8,000	95,901	-
Utilities	413,031	5,168	458,802	41,577
At end of year	1,586,586	73,034	2,068,776	118,937
Incurred by				
Sovereign	367,275	-	340,570	41,050
Non-sovereign	1,219,311	73,034	1,728,206	77,887
At end of year	1,586,586	73,034	2,068,776	118,937

Notes to the Financial Statements

a5. Collateral and credit enhancements

The Bank mitigates credit risk by holding collateral and other credit enhancements against exposure to customers and counterparties where it believes such is necessary. This is defined by the Bank as mechanisms, procedures and assets negotiated in transactions that are meant to protect against loss in case of non-performance. Collateral includes, but is not limited to, material assets, financial instruments, guarantees, covenants and comfort letters.

Loans and advances

The BoD approved guidelines for taking security under lending operations, set the levels and types of collateral and other credit enhancements recommended for a given risk profile. The main types of collateral that may be obtained by the Bank are: mortgages on properties and equipment, pledges of equity shares and investment instruments, assignment of rights on certain contracts, cash or blocked deposits and other third party guarantees. If necessary, the Bank reassesses the value of collateral in order to determine if additional collateral is needed to be provided by the borrower, or project sponsors to partially mitigate the credit risk for non-sovereign loans. The Bank also benefits from sovereign exposure loans that are fully secured and are included in the collateral portfolio (see Note a4).

Although this collateral is primarily illiquid it is closely correlated to the performance of the relevant loan operating assets, and it does however provide the Bank with some rights and negotiating leverage that help mitigate the overall credit risk. The tables below indicate the amount of identifiable collateral and credit enhancements for loans and the related Stage.

Presented in EUR (000)	2023	2022
Property	509,530	671,202
Debt securities	2,020	2,020
Other	122,665	115,448
Non-sovereign	634,215	788,670
Sovereign	362,401	381,620
Collateral and credit enhancements	996,616	1,170,290

Presented in EUR (000)	2023	2022
Stage 1 and 2	882,107	1,008,496
Stage 3	114,509	161,794
Collateral and credit enhancements	996,616	1,170,290

Other financial instruments

Collateral held as security for financial assets is determined by the nature of the instrument. Bonds and euro commercial paper held by the Bank as investment securities are generally unsecured. The Bank may also hold collateral in "S" banking accounts in the Russian Federation. The Bank may hold cash as collateral against its derivative contract counterparties, at 31 December 2023 the Bank had pledged as collateral for derivative transactions a net amount of EUR 78,520 thousand (2022: EUR 100,010 thousand).

Notes to the Financial Statements

b) Liquidity risk

Liquidity risk arises in the general funding of the Bank's financing and investment activities and in the management of positions. It concerns the ability of the Bank to fulfill its financial obligations as they become due and is a measure of the extent to which the Bank may require funds to meet those obligations. It involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The Bank's liquidity policy aims to balance the term and currency structure of the Bank's assets and liabilities. Liquidity management is concentrated on the timing of cash in-flows and out-flows, as well as the adequacy of available cash and liquid securities. The Bank maintains liquid assets at prudential levels to ensure that cash can quickly be made available to honor all its obligations, even under adverse conditions and that the Bank has access to the funds necessary to satisfy customer needs, maturing liabilities and its own working capital requirements. For this, the Bank estimates all expected cash flows from assets and liabilities.

The Bank takes into consideration, to the extent feasible, the guidance documents issued by the Basel Committee on Banking Supervision. The Bank sets limits to control its liquidity risk exposure and vulnerabilities and regularly reviews such limits. The limit framework includes also measures ensuring that in a period of market stress, available liquidity exceeds liquidity needs so that the Bank can continue to operate.

The Bank's commitment to maintaining a strong liquidity position is established in policies approved by the BoD. The liquidity policy requires that the Bank maintain its liquidity position at a minimum of 50% of the following 12 months' net cash requirement, including committed undisbursed project and trade finance loans.

The Bank's liquidity position is monitored regularly, and the ALCO is primarily responsible for the management of liquidity risk and the liquidity profile of the Bank. The Bank's liquid assets are maintained in short-term and negotiable securities that primarily are: (i) cash and bank balances (ii) short term deposits with investment grade rated counterparties (iii) Euro-denominated commercial paper issued by investment grade parties and (iv) investment grade bonds.

The table below presents the maturity profile of the undiscounted cash flows for financial liabilities placed based on the remaining period from the financial position date to the contractual maturity date. It indicates the earliest maturity dates that the Bank's counterparties have the ability to demand repayment.

The figures represent undiscounted cash flows (except for derivatives liabilities), and include estimated interest amounts, and therefore do not match to the statement of financial position.

Contractual maturities for financial liabilities at 31 December 2023 and 31 December 2022 were:

Presented in EUR (000)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Borrowings	-	9,179	453,134	412,150	398,071	1,272,534
Derivative financial instruments	-	82	958	23,439	84,519	108,998
Other and lease liabilities	-	21,859	2,807	-	-	24,666
Financial Liabilities at 31 December 2023	-	31,120	456,899	435,589	482,590	1,406,198
Borrowings	-	21,837	410,287	1,157,106	513,647	2,102,877
Derivative financial instruments	-	-	9,841	18,609	120,174	148,624
Other and lease liabilities	-	19,788	621	-	-	20,409
Financial Liabilities at 31 December 2022	-	41,625	420,749	1,175,715	633,821	2,271,910

Notes to the Financial Statements

c) Market Risk

Market risk is the risk that changes in foreign exchange rates, interest rates or market prices of financial instruments may result in losses to the Bank. Market risk arises on such instruments that are valued at current market prices (mark to market basis) or those valued at cost plus any accrued interest (accruals basis).

The Bank funds its operations by using the Bank's own share capital and by borrowing on the international capital markets. The Bank aims to match, wherever possible, the currencies, tenors and interest rate characteristics of its borrowings with those of its lending portfolios. When necessary, the Bank uses derivative instruments to reduce its exposure to exchange rate and interest rate risks.

The Board has approved risk management policies and limits within which exposure to market risk is monitored, measured and controlled. The ALCO monitors and manages these risks while the asset and liability function within the Treasury Department has primary responsibility for ensuring compliance with these policies and limits.

c1. Foreign exchange risk

The Bank's risk management policies seek to minimize currency exposures or any unanticipated changes, favorable or unfavorable, in foreign exchange rates that could affect the income statement, by requiring net liabilities in any one currency to be matched closely with net assets in the same currency. The Bank will not take discretionary currency positions. This is achieved primarily by holding or lending the proceeds of the Bank's borrowings in the currencies in which they were borrowed.

The Bank regularly monitors its assets and liabilities in order to ensure the Bank takes no significant foreign exchange risks and, after swap activities, adjusts the net asset currency composition to the Bank's functional currency to maintain a matched foreign exchange position. As a matter of policy, the Bank aims to keep foreign exchange exposure as close to zero as possible, with exceptions to this practice requiring approval from the ALCO. For local currency transactions the Bank matches the operation's currency with borrowings in the same currency, as such there is no material exposure. The tables below provide a currency breakdown of the Bank's assets and liabilities, showing that the effect of any currency fluctuations on the net exposure is minimal.

At 31 December 2023					
Presented in EUR (000)	Euro	United States Dollar	Swiss franc	Other	Total
Assets					
Cash and due from banks	253,030	94,629	-	27,731	375,390
Deposits in margin accounts	80,120	-	-	-	80,120
Debt investment securities	68,568	26,418	-	-	94,986
Derivative financial instruments	5,413	29,855	-	145	35,413
Loans	1,127,965	445,416	-	2,540	1,575,921
Accrued/deferred income	29,640	(1,901)	-	(21)	27,718
Expected credit losses on loans	(53,449)	(30,477)	-	(7)	(83,933)
Equity investments	7,715	2,808	-	142	10,665
Accrued interest receivable	22,308	9,702	-	8	32,018
Other assets	16,398	-	-	-	16,398
Asset held for sale	2,962	-	-	-	2,962
Total	1,560,670	576,450	-	30,538	2,167,658
Liabilities					
Borrowings	319,966	450,782	162,555	241,181	1,174,484
Margin accounts	1,600	-	-	-	1,600
Derivative financial instruments	74,631	34,367	-	-	108,998
Other and lease liabilities	24,666	-	-	-	24,666
Total	420,863	485,149	162,555	241,181	1,309,748
Currency balance at 31 December 2023	1,139,807	91,301	(162,555)	(210,643)	857,910

Notes to the Financial Statements

At 31 December 2022		United States	Swiss		
Presented in EUR (000)	Euro	Dollar	franc	Other	Total
Assets					
Cash and due from banks	118,008	68,658	-	21,672	208,338
Deposits in margin accounts	114,430	-	-	-	114,430
Debt investment securities	354,329	170,895	-	-	525,224
Derivative financial instruments	14,632	27,414	-	292	42,338
Loans	1,338,099	684,297	-	33,940	2,056,336
Accrued/deferred income	31,187	(4,595)	-	(134)	26,458
Expected credit losses on loans	(78,976)	(27,451)	-	(49)	(106,476)
Equity investments	8,167	4,187	-	86	12,440
Accrued interest receivable	24,470	13,327	-	257	38,054
Other assets	17,054	-	-	-	17,054
Total	1,941,400	936,732	-	56,064	2,934,196
Liabilities					
Borrowings	362,009	845,357	356,556	351,733	1,915,655
Margin accounts	14,420	-	-	-	14,420
Derivative financial instruments	118,097	30,527	-	-	148,624
Other and lease liabilities	20,409	-	-	-	20,409
Total	514,935	875,884	356,556	351,733	2,099,108
Currency balance at 31 December 2022	1,426,465	60,848	(356,556)	(295,669)	835,088

c2. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate, favorably or unfavorably, due to changes in market interest rates. The length of time for which the rate of interest is determined on a financial instrument indicates to what extent it is exposed to that interest rate risk.

The Bank's interest rate risk management activities aim to enhance profitability, by limiting the effect on asset values of adverse interest rate movements in order to increase net interest income by managing interest rate exposure. The majority of the Bank's loan portfolio is variable interest rate and the Bank has a policy aimed at minimizing interest rate mismatches between its assets and liabilities that seeks to ensure that the interest rate payment periods for its liabilities are matched as closely as possible to interest rate payment periods for the Bank's assets. As a matter of policy, the Bank does not take discretionary interest rate positions.

The tables below provide information of the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorized either on the contractual maturity date of the financial instruments (including derivative financial instruments) or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date as at the financial position date.

At 31 December 2023		Interest bearing					Non-interest bearing	
Presented in EUR (000)	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years			Total
Assets								
Cash and due from banks	375,388	-	-	-	-	2		375,390
Deposits in margin accounts	80,120	-	-	-	-	-		80,120
Debt investment securities	50,000	-	3,088	41,898	-	-		94,986
Derivative financial instruments	-	2,402	3,297	27,416	2,298	-		35,413
Loans	209,862	211,035	702,360	373,435	79,229	-		1,575,921
Equity investments	-	-	-	-	-	10,665		10,665
Accrued interest receivable	-	-	-	-	-	32,018		32,018
Other assets	-	-	-	-	-	16,398		16,398
Asset held for sale	2,962	-	-	-	-	-		2,962
Total	718,332	213,437	708,745	442,749	81,527	59,083		2,223,873
Liabilities								
Borrowings	-	6,634	428,758	420,079	312,537	6,476		1,174,484
Margin accounts	-	-	-	-	-	1,600		1,600
Derivative financial instruments	-	82	958	23,439	84,519	-		108,998
Other and lease liabilities	-	-	-	-	-	24,666		24,666
Total	-	6,716	429,716	443,518	397,056	32,742		1,309,748
Interest rate risk at 31 December 2023	718,332	206,721	279,029	(769)	(315,529)	26,341		914,125

Notes to the Financial Statements

At 31 December 2022	Interest bearing					Non-interest bearing	Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years		
Presented in EUR (000)							
Assets							
Cash and due from banks	208,331	-	-	-	-	7	208,338
Deposits in margin accounts	114,430	-	-	-	-	-	114,430
Debt investment securities	55,000	416,409	10,963	42,852	-	-	525,224
Derivative financial instruments	-	-	15,814	20,716	5,808	-	42,338
Loans	482,932	362,423	514,753	466,353	229,875	-	2,056,336
Equity investments	-	-	-	-	-	12,440	12,440
Accrued interest receivable	-	-	-	-	-	38,054	38,054
Other assets	-	-	-	-	-	17,054	17,054
Total	860,693	778,832	541,530	529,921	235,683	67,555	3,014,214
Liabilities							
Borrowings	-	326,629	477,763	742,366	359,877	9,020	1,915,655
Margin accounts	-	-	-	-	-	14,420	14,420
Derivative financial instruments	-	-	9,841	18,609	120,174	-	148,624
Other and lease liabilities	-	-	-	-	-	20,409	20,409
Total	-	326,629	487,604	760,975	480,051	43,849	2,099,108
Interest rate risk at 31 December 2022	860,693	452,203	53,926	(231,054)	(244,368)	23,706	915,106

c3. Sensitivity analysis

Currency risk sensitivity

The Bank is marginally sensitive to exchange rate fluctuations of the Euro and US dollar. The Bank's paid-in capital is held in Euro and the Bank's loan portfolio is typically denominated as 70% Euro and 30% US dollar currencies, with minor, if any, loans in local currency. In addition, the Bank's administrative expenses are denominated in Euro, and the Bank's income is typically denominated as 70% Euro and 30% US dollar currencies. The Bank has addressed this sensitivity to currency risk by increasing its percentage of loans denominated in Euro, and therefore increasing its Euro denominated income and would not had a significant impact.

Interest rate sensitivity

The Bank's interest rate sensitivity analysis comprises two elements. Firstly, there is the differential between the interest rate the Bank earns on its assets and the cost of borrowing to fund these assets. For this element the Bank does, as closely as possible, match interest rate periods, thus minimizing or even eliminating sensitivity. Secondly, there is the absolute rate earned on assets that are funded by the Bank's member's equity resources. The majority of the Bank's member's equity resources are currently invested in the Bank's loan portfolio at floating rates; therefore, subjecting earnings on member's equity resources to a minor degree of fluctuation.

The table below details the re-pricing gap by currency. A parallel upward or downward shift in the Euro and US dollar curves of 50 basis points would have generated the maximum loss or gain respectively.

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Euro	1,011,000	1,709,000
United States dollar	(182,000)	(457,000)
Total re-pricing gap	829,000	1,252,000
Shift of 50 basis points in the EUR curve	4,144	6,262

Notes to the Financial Statements

Under this scenario of an instantaneous parallel shift of interest rates by 50 basis points yield curve, the impact on net interest income and consequently the impact on total comprehensive income (loss) would had been as follows.

	At 31 December 2023		
Presented in EUR (000)	Financial statement amount	Upward shift	Downward shift
Income for the year	20,409	24,553	16,265
Other comprehensive income	2,371	2,371	2,371
Total comprehensive income (loss)	22,780	26,924	18,636

	At 31 December 2022		
Presented in EUR (000)	Financial statement amount	Upward shift	Downward shift
Income for the year	(27,586)	(21,324)	(33,848)
Other comprehensive income	(19,520)	(19,520)	(19,520)
Total comprehensive income (loss)	(47,106)	(40,844)	(53,368)

c4. Hedges of interest rate risk and foreign currency risk

Fair value hedges

The Bank uses pay floating/receive fixed interest rate and cross-currency interest rate swaps to hedge the interest rate and foreign currency risks, deriving from its issuance of both Euro and denominated in foreign currencies debt (mainly US dollar, Australian dollar and Romanian leu). The Bank hedges interest rate risk to the extent of the benchmark interest rate exposure of the floating leg (mainly Euro, US dollar rates). Provided that the aforementioned exposures satisfy the hedge accounting criteria (see Note 3.9.1), these are designated in fair value hedges.

Upon designation, the fair value change on the qualifying hedging instruments is recognized in profit or loss. Also, the change in fair value of the hedged item attributable to the hedged risk is recognized in the same line item in profit or loss. If the carrying amount of the hedged item is not already measured at fair value (measured at cost or amortized cost), then it is adjusted accordingly, with a corresponding entry. The Bank recognizes any ineffective portion of the fair value hedge relationships in income statement.

Upon hedge discontinuation, any hedging adjustment made to a hedged item for which the effective interest method is used, is amortized to profit or loss, by adjusting the effective interest rate from the date on which amortization begins. If the hedged item is derecognized, then the adjustment is recognized immediately in profit or loss.

The Bank establishes a hedge ratio 1:1, by aligning the par amount of the fixed-rate liability and the notional amount of the interest rate and cross currency swap designated as a hedging instrument. Note 3.9.1 sets out more details on the accounting policy of the fair value hedges.

Notes to the Financial Statements

At 31 December 2023 and 31 December 2022, the Bank held the following interest rate and cross currency swaps as hedging instruments in fair value hedges of interest and foreign currency risk.

Presented in EUR (000)	At 31 December 2023	
	1 – 5 years	Over 5 years
Interest Rate Swaps		
Hedge of borrowings / euro notes:		
Nominal amount		196,923
Average fixed interest rate		1.63%
Cross Currency Swaps		
Hedge of borrowing / other notes:		
Nominal amount	167,467	35,311
Average EUR: AUD exchange rate	1.63	
Average EUR: PLN exchange rate	4.39	
Average EUR: CZK exchange rate	24.23	
Average EUR: RON exchange rate	4.97	
Average EUR: JPY exchange rate	156.75	
Average EUR: GBP exchange rate		0.86

Presented in EUR (000)	At 31 December 2022	
	1 – 5 years	Over 5 years
Interest Rate Swaps		
Hedge of borrowings / euro notes:		
Nominal amount		199,692
Average fixed interest rate		1.63%
Cross Currency Swaps		
Hedge of borrowing / other notes:		
Nominal amount	95,020	75,491
Average EUR: AUD exchange rate		1.57
Average EUR: PLN exchange rate	4.64	
Average EUR: CZK exchange rate	24.49	
Average EUR: RON exchange rate	4.95	
Average EUR: GBP exchange rate		0.86

Notes to the Financial Statements

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2023 and 31 December 2022 were as follows:

Presented EUR (000)		At 31 December 2023					
	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2023	Ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities				
Interest rate swaps – hedge of borrowings	196,923	-	43,180	Derivative financial instruments – assets/liabilities	3,809	479	Unrealized fair value (losses) on derivative instruments
Cross currency swaps – hedge of borrowings	202,778	2,261	29,839	Derivative financial instruments – assets/liabilities	(4,803)	2,204	Unrealized fair value (losses) on derivative instruments
Total	399,701	2,261	73,019		(994)	2,683	

Presented EUR (000)		At 31 December 2022					
	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2022	Ineffectiveness recognized in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
		Assets	Liabilities				
Interest rate swaps – hedge of borrowings	199,692	-	53,107	Derivative financial instruments – assets/liabilities	(46,989)	(384)	Unrealized fair value (losses) on derivative instruments
Cross currency swaps – hedge of borrowings	170,511	3,914	29,865	Derivative financial instruments – assets/liabilities	(22,775)	-	Unrealized fair value (losses) on derivative instruments
Total	370,203	3,914	82,972		(69,764)	(384)	

Notes to the Financial Statements

The amounts relating to items designated as hedged items at 31 December 2023 and 31 December 2022 were as follows:

Presented in EUR (000)		At 31 December 2023	
	Carrying amount	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness
	Assets	Liabilities	
Euro Notes issued	-	120,000	Borrowings (65,111)
Other Notes Issued	-	409,705	Borrowings (46,254)
Total	-	529,705	(111,365)

Presented in EUR (000)		At 31 December 2022	
	Carrying amount	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness
	Assets	Liabilities	
Euro Notes issued	-	120,000	Borrowings 29,941
Other Notes issued	-	402,534	Borrowings 30,311
Total	-	522,534	60,252

At 31 December 2023, there were no amounts related to settled swaps.

Cash flow hedges

As part of the risk management strategy objective, the Bank also uses pay fixed/receive fixed cross-currency interest rate swaps, in order to hedge the exposure to the variability in cash flows attributable to interest rate risk and foreign exchange risk in respect to its issuance of fixed rate notes denominated in foreign currencies (e.g., Swiss franc (CHF)). When such hedging relationships meet the specified hedge accounting criteria, these are designated in cash flow hedges.

Upon designation, the effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognized in Other Comprehensive Income (OCI) and accumulated under the heading of cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from the inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit and loss and is included in the "Unrealized fair value (losses) on derivative instruments" line item.

The Bank establishes a hedge ratio 1:1, by aligning the par amount of the fixed-rate liability and the notional amount of the interest rate and cross currency swap designated as a hedging instrument. Note 3.9.1 sets out more details on the accounting policy of the cash flow hedges.

Notes to the Financial Statements

At 31 December 2023, the Bank designated a pay fixed-receive fixed cross-currency interest rate swap (USD: CHF) in cash flow hedge relationship. The hedging instrument's nominal amount was EUR 161,987 thousand (2022: EUR 152,331 thousand), with the corresponding hedged item being Swiss franc notes issued, as included in the Bank's statement of financial position (under "Borrowings" line item).

For this outstanding hedged designation, the balance in the cash flow hedge reserve amounts to EUR 2,328 thousand loss (2022: EUR 4,114 thousand loss, see Note 24).

At 31 December 2023, there were no amounts related to settled swaps.

C5. Equity price risk

The Bank has a small equity investments portfolio and as such does not have market risk exposure concerning foreign exchange or equity price risk on this portfolio. At 31 December 2023 the Bank's equity investments were classified at FVTOCI.

The Bank takes a long-term approach of its equity investments and has no intention of exiting from any, therefore accepts the short-term volatilities in value from exchange rate and price risk. The Bank expects the effect on net income to be of little to no impact.

Additional sensitivity information for the Bank's equity investments has been included under 'Fair value hierarchy' later in this section and in the Note "Equity investments".

Operational Risk

Like all financial institutions, the Bank is exposed to operational risks arising from its systems and processes. Operational risks include the risks of losses resulting from inadequate or failed internal processes, people, systems, legal, and from external events which could have a negative financial or adverse reputational impact. The Bank has a low tolerance for losses arising from the operational risks the Bank is exposed to.

The Compliance and Operational Risk Management Department (DCR) has oversight on operational risk activities across the Bank. The Bank's operational risk framework is a network of processes, procedures, reports and responsibilities that are used to identify, manage and monitor the operational risks of the Bank. These include committees, working groups, day-to-day practices such as the collection and analysis of key risks, risk of loss incidents and both strategic and work cultural practices. This provides a structured approach to managing operational risk and seeks to apply consistent standards and techniques for evaluating risks across the Bank. The Bank has a comprehensive set of policies and procedures that indicate how operational risks should be managed throughout the Bank.

The sources of operational risk emerge in various ways, including business interruptions, inappropriate behavior of employees (including fraud), failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their contractual arrangements. These events could result in financial losses, as well as reputational damages to the Bank. The Bank's operational risk management focuses on proactive measures to mitigate the operational risk.

Where any incident may occur the Bank systematically collects, analyses and reports data on that incident to ensure the Bank understands the reasons it occurred and how controls can be improved to reduce or better avoid the risk of any future incident.

Notes to the Financial Statements

The Bank's risk and control assessments of the key operational risks in each business area are comprehensive and primarily bottom-up. They are based on Bank-wide operational risk definitions, that classify risks under a standardize approach, cover the inherent risks of each business area and control function, provide an evaluation of the effectiveness of the controls in place to mitigate these risks, determine the residual risk ratings and require a decision to either accept or remediate any remaining risk.

Concerning cybercrime, which is risk of loss or damage to the Bank's business areas and customers as a result of actions committed or facilitated through the use of networked information systems, the Bank's Information Technologies Department (DIT), and information security policies and procedures ensure that all servers and computers have up to date antivirus software. Backups are made regularly and regular access control checks, system penetration and vulnerability tests along with disaster recovery tests are performed. The Bank's anti-cyberattack controls are checked and aligned with industry best practice by the DIT.

The Bank regularly produces management information reports covering the key inputs and outputs of operational risk. These reports are used to monitor outcomes against agreed targets and tolerance levels. The Bank utilizes the Bank's IT systems and other information tools to ensure operational risks are identified and managed properly.

Overall, the Bank is committed to follow the best practices and market standards in the area of accountability, transparency and business ethics. Due diligence on customers and counterparties takes into consideration the Anti-Fraud Corruption and Monetary Laundering Policy and Know-Your Customer Procedures. The Bank also has a contingency and business continuity plans, and a disaster recovery off-site which aims to ensure the continuity of its operations and protect the interests of all the key stakeholders of the Bank, namely, the member countries, bondholders and other creditors as well as employees and their families, in the event of any disturbance in office locations.

Fair Value Hierarchy

For financial instruments measured at fair value, the Bank uses IFRS 13 specifies classification of fair values on the basis of a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement (valuation technique) of fair values are observable or unobservable. The Bank measures fair values using the following fair value hierarchy, for determining and disclosing the fair value of financial instruments, which reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market prices in active markets for identical (same) assets or liabilities;
- Level 2: Quoted market prices in active markets for similar instruments; or quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The valuation techniques / models used to determine the fair values are the net asset value (NAV), EBITDA multiples and discounted cash flows (DCF) models.

Notes to the Financial Statements

The tables below identify the Bank's financial instruments measured at fair value and on a recurring basis at 31 December 2023 and 31 December 2022. Financial assets and financial liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

Presented in EUR (000)	Level 1	Level 2	Level 3	Carrying Amount
Derivative financial instruments – assets	-	35,413	-	35,413
Fair value through profit or loss:				
Loans	-	-	10,827	10,827
Asset held for sale, loan	-	-	2,962	2,962
Fair value through other comprehensive income:				
Debt investment securities	94,606	380	-	94,986
Equity investments	-	-	10,665	10,665
Derivative financial instruments – liabilities	-	(108,998)	-	(108,998)
At 31 December 2023 on recurring basis	94,606	(73,205)	24,454	45,855

Transfers from Level 1 to Level 2 occur when the volume of trading of an investment is at a level that is not sufficient for its market to be deemed active, but where the market price is still the best indicator of that investment's value. Transfers from Level 1 or from Level 2 to Level 3 occur when there is no longer an observable market price indicative of any market transaction. Transfers out of Level 2 to Level 1 are based on the volume of trading of that investment, the market would be deemed active.

During the year there was EUR 380 thousand transfer from Level 1 to Level 2 (2022: nil) based on the volume of trading of the investment, the market was no longer deemed active. There was no other transfer.

Presented in EUR (000)	Level 1	Level 2	Level 3	Carrying Amount
Derivative financial instruments – assets	-	42,338	-	42,338
Fair value through profit or loss:				
Loans	-	-	15,350	15,350
Fair value through other comprehensive income:				
Debt investment securities	525,224	-	-	525,224
Equity investments	-	-	12,440	12,440
Derivative financial instruments – liabilities	-	(148,624)	-	(148,624)
At 31 December 2022 on recurring basis	525,224	(106,286)	27,790	446,728

Fair Value Measurement in Level 3

The tables provide a reconciliation of the fair values and on a recurring basis of the Bank's Level 3 for loan financial assets of the fair value hierarchy.

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
At 1 January	15,350	15,014
On initial recognition	21,271	-
Total gains (losses) recognized in the income statement	(1,561)	336
Revaluation (losses)	(21,271)	-
At end of year on recurring basis	13,789	15,350

At 31 December 2023 the fair value of loans through profit or loss is calculated based on a discounted payment / cashflows approach using the applicable effective interest rate. The above amount includes a loan asset held for sale of EUR 2,962 thousand (2022: nil).

The table provides a reconciliation of the fair values and on a recurring basis of the Bank's Level 3 for equity investments financial assets of the fair value hierarchy.

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
At 1 January	12,440	25,777
Total gains (losses) recognized in the income statement	-	(791)
Total gains (losses) recognized in other comprehensive income	(618)	(5,527)
Disbursements*	931	924
Repayments	(2,088)	(5,684)
Disposal/exit of equity investments at fair value through OCI	-	(2,259)
At end of year on recurring basis	10,665	12,440

* Committed capital call or covering general costs, without increased percentage of investment.

Notes to the Financial Statements

Sensitivity Analysis for Level 3

The table below illustrates the valuation techniques used in the determination of fair values for financial instruments within Level 3 of the measurement hierarchy, and on an estimated 5% increase or decrease in net asset value. The significant unobservable input for loans was discounted payments / cashflows using the applicable effective interest rate, and for equity investments was expected net asset value. The Bank considers that market participants would use the same inputs in pricing the financial assets. Management considers that changing the unobservable inputs described below to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

Presented in EUR (000)	Valuation techniques	Carrying amount	Favorable change	Unfavorable change
Loans	Discounted cash flows models	13,789	690	(690)
Equity investments	Net asset value and EBITDA multiplies	10,665	533	(533)
At 31 December 2023		24,454	1,223	(1,223)

Presented in EUR (000)	Valuation techniques	Carrying amount	Favorable change	Unfavorable change
Loans	Discounted cash flows models	15,350	768	(768)
Equity investments	Net asset value and EBITDA multiplies	12,440	622	(622)
At 31 December 2022		27,790	1,390	(1,390)

Loans at fair value through profit or loss mainly comprise convertible loans or loans with an element of performance-based return. Their fair value is calculated based on a discounted payment / cashflows approach using the applicable effective interest rate and provided inputs.

Equity investments comprise the Bank's equity funds and equity participations. NAV multiples are most commonly applied to such direct investments, and recent transactions within sectors are also considered where available. Equity funds are valued based on NAV statements adjusted for applicable market movements observed between the measurement date of the NAV and end of reporting year.

Mentioned model definitions relate to NAV = net asset value; EBITDA = earnings before interest, tax, depreciation and amortization; and DCF = discounted cash flow. Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different fair value results.

Notes to the Financial Statements

Financial Instruments not Measured at Fair Value

The table below classifies the Bank's financial instruments at 31 December 2023 and 31 December 2022 that were not carried at fair value into the same three levels as financial instruments measured at fair value, reflecting the relative reliability of the measurement (valuation technique) base with level 1 as the most reliable. The availability of observable direct market prices or observable indirect model inputs reduces the need for management judgement and estimation, that also reduces the uncertainty associated with determining fair values:

- Cash and due from bank, deposit accounts and debt instruments, whose value is based on quoted market prices for same instrument in active markets are classified in Level 1.
- Debt instruments that can trade in markets which are considered less than active, but are valued price based are classified in Level 2.
- Loans that have significant unobservable inputs, as observable prices are not available, where the Bank uses discounted cash flows (DCF) at end of year, with exception of loans in Stage 3 calculated outstanding amount net of expected credit loss as such loans originated by the Bank had little, if any market activity, are classified in Level 3.

At 31 December 2023					
Presented in EUR (000)	Level 1	Level 2	Level 3	Fair value	Carrying amount
Assets					
Cash and due from banks	375,390	-	-	375,390	375,390
Deposits in margin accounts	80,120	-	-	80,120	80,120
Loans at amortized cost	232,013	-	1,314,832	1,546,845	1,565,094
Accrued interest receivable	-	-	32,018	32,018	32,018
Other assets	-	-	16,398	16,398	16,398
Total financial assets	687,523	-	1,363,248	2,050,771	2,069,020
Liabilities					
Borrowings	500,269	476,723	122,016	1,099,008	1,174,484
Margin accounts	1,600	-	-	1,600	1,600
Other and lease liabilities	-	2,807	21,859	24,666	24,666
Total financial liabilities	501,869	479,530	143,875	1,125,274	1,200,750

At 31 December 2022					
Presented in EUR (000)	Level 1	Level 2	Level 3	Fair value	Carrying amount
Assets					
Cash and due from banks	208,338	-	-	208,338	208,338
Deposits in margin accounts	114,430	-	-	114,430	114,430
Loans at amortized cost	235,370	-	1,677,062	1,912,432	2,040,986
Accrued interest receivable	-	-	38,054	38,054	38,054
Other assets	-	-	17,054	17,054	17,054
Total financial assets	558,138	-	1,732,170	2,290,308	2,418,862
Liabilities					
Borrowings	778,768	564,814	369,209	1,712,791	1,915,655
Margin accounts	14,420	-	-	14,420	14,420
Other and lease liabilities	-	621	19,788	20,409	20,409
Total financial liabilities	793,188	565,435	388,997	1,747,620	1,950,484

Notes to the Financial Statements

Capital Management

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

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

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

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

The Bank determines required share capital as the potential losses the Bank may incur based on probabilities consistent with the Bank's credit rating. The main risk categories assessed under the share capital adequacy framework are credit risk, market risk and operational risk, and such total risks are managed within the available share capital base that excludes callable share capital, while maintaining a prudent cushion. A main objective of this framework is to manage the Bank's share capital by providing a consistent measurement of capital headroom over time. The Bank has no expectation for callable share capital to be called, and will prevent this need and use only available risk share capital as reserves, surplus and paid-in.

At the 36th meeting of the BoD in 2008, the operational gearing ratio was set at 100% of the Bank's unimpaired paid-up capital, reserves and surpluses, and the usable portion of the callable capital. This limit on the total amount of operations which includes all callable capital is approximately EUR 2.4 billion.

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

Notes to the Financial Statements

6. OPERATING SEGMENTS

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

The Bank's primary source of revenues is interest income from above mentioned activities. In addition, the Bank also derives revenues from net fees and commissions and other income that comprised: dividend income, net gains from equity investments at fair value through profit or loss, net gains from loans, net gains from investment securities held at amortized cost and at fair value through profit or loss.

Information on the financial performance of Lending and Treasury activities is prepared regularly and provided to the President, the Bank's chief operating decision-maker. As such, these activities have been identified as the operating segments which the President assesses their performance in a manner associated with the financial statements and consistent with the prior year that is as follows.

Presented in EUR (000)	2023			2022		
	Lending	Treasury	Total	Lending	Treasury	Total
Income statement						
Interest income	118,588	20,826	139,414	142,967	8,301	151,268
Net fees and commissions	475	-	475	1,937	-	1,937
Other income (loss)	3	(549)	(546)	(10)	139	129
Total segment revenues	119,066	20,277	139,343	144,894	8,440	153,334
Interest expense	(65,493)	(469)	(65,962)	(58,205)	(816)	(59,021)
Net interest income (expense) on derivatives	-	(17,400)	(17,400)	-	4,388	4,388
Gains (losses) on other financial instruments	(2,737)	14,042	11,305	(455)	(15,494)	(15,949)
Foreign exchange	-	(176)	(176)	-	(18,980)	(18,980)
Personnel and administrative expenses	(21,746)	(774)	(22,520)	(21,954)	(1,096)	(23,050)
Depreciation and amortization	(448)	(8)	(456)	(331)	(8)	(339)
Segment income before ECL	28,642	15,492	44,134	63,949	(23,566)	40,383
Less: expected credit losses	(23,248)	(477)	(23,725)	(68,085)	116	(67,969)
Income (loss) for the year	5,394	15,015	20,409	(4,136)	(23,450)	(27,586)

Presented in EUR (000)	31 December 2023			31 December 2022		
	Lending	Treasury	Total	Lending	Treasury	Total
Financial position						
Segment assets	1,582,976	585,909	2,168,885	2,045,135	890,330	2,935,465
At end of year			2,168,885			2,935,465
Segment liabilities	1,199,150	110,598	1,309,748	1,936,064	163,044	2,099,108
Members' equity	-	-	859,137	-	-	836,357
At end of year			2,168,885			2,935,465

Notes to the Financial Statements

Segment Revenues – Geographic

The Bank's revenues arise from the following areas. Revenues are attributed to the area on the basis of an operation's location in which it operates:

Presented in EUR (000)	Year to 31 December 2023	Year to 31 December 2022
Albania, Bulgaria and Greece	25,058	30,805
Armenia, Azerbaijan, Georgia and Turkiye	37,933	46,234
Moldova Romania, Russian Federation and Ukraine	56,075	67,855
Treasury	20,277	8,440
Total segment revenues	139,343	153,334

7. INTEREST AND SIMILAR INCOME

Interest and similar income are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2023	Year to 31 December 2022
From loans at amortized cost	117,264	142,263
From due from banks	6,689	915
From debt securities at FVTOCI	14,137	7,386
Total interest income for financial instruments not measured at FVTPL	138,090	150,564
From loans at FVTPL	1,324	704
Interest and similar income	139,414	151,268

8. INTEREST AND SIMILAR EXPENSE

Interest and similar expense are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2023	Year to 31 December 2022
From borrowed funds	26,656	13,212
From issued debt	38,837	44,993
From other charges	469	816
Interest and similar expense	65,962	59,021

9. NET INTEREST ON DERIVATIVES

Net interest on derivatives is analyzed as follows:

Presented in EUR (000)	Year to 31 December 2023	Year to 31 December 2022
Interest on derivatives receivable	55,472	49,445
Interest on derivatives payable	(72,872)	(45,057)
Net interest income (expense) on derivatives	(17,400)	4,388

Notes to the Financial Statements

10. NET FEES AND COMMISSIONS

Net fees and commissions are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2023	Year to 31 December 2022
Guarantee fees	164	622
Management fees	124	401
Administration fees	14	56
Surveillance fees	51	44
Prepayment / cancellation fees	21	577
Other fees	101	237
Net Fees and commissions	475	1,937

11. PERSONNEL AND ADMINISTRATIVE EXPENSES

Administrative expenses are analyzed as follows:

Presented in EUR (000)	Year to 31 December 2023	Year to 31 December 2022
Salaries and benefits	14,935	14,674
Staff retirement plans	2,695	3,523
Personnel expenses	17,630	18,197
Professional fees and related expenses	1,218	1,271
Utilities and maintenance	1,788	1,730
Other administrative	1,884	1,852
Administrative expenses	4,890	4,853

The average number of staff employed during the year was 115 (2022: 117). The number of staff at 31 December 2023 was 114 (2022: 117). Further analysis of the staff retirement plan is presented in the Note "Employee benefits".

The Bank may also provide personal loans and advances to staff, including those in Management. Such are fully guaranteed by the second pillar of the staff retirement scheme, that installments repaid are deducted within the employee payroll. These amounts are fully repayable prior to departure of that employee and are granted in accordance with the Bank's Human Resources rules and regulations. Staff loans outstanding balance granted is included in other assets (see Note 17).

Notes to the Financial Statements

12. EXPECTED CREDIT LOSSES ON LOANS

Loans that are measured at amortized cost are stated net of expected credit loss, which includes also their related expected credit loss on undrawn commitments. A summary of the movements in expected credit loss is as follows.

Presented in EUR (000)	Stage 1	Stage 2	Stage 3	Total
At 31 December 2021	4,983	619	38,621	44,223
New loans originated	288	-	-	288
Release	(180)	(40)	(1,342)	(1,562)
Transfer	(3,623)	3,010	613	-
Impact in net remeasurement (including change in models)	(315)	33,377	36,297	69,359
Charge (release) for the year	(3,830)	36,347	35,568	68,085
Write-offs/recovery	-	-	(5,284)	(5,284)
Foreign exchange and other adjustments	49	(452)	(145)	(548)
At 31 December 2022	1,202	36,514	68,760	106,476
New loans originated	151	-	-	151
Sales	-	(22,195)	-	(22,195)
Release	(78)	(6,023)	-	(6,101)
Transfer	7,166	2,950	(10,116)	-
Impact in net remeasurement (including change in models)	(6,515)	9,078	3,900	6,463
Foreign exchange and other adjustments	(35)	(390)	(436)	(861)
At 31 December 2023	1,891	19,934	62,108	83,933

At each reporting date, the Bank recognizes loss allowances based on either 12-month Expected Credit Loss (ECL) or lifetime ECL, depending on the stage of the loan.

Total ECL on loans were EUR 83,933 thousand in the year ended 31 December 2023 (2022: EUR 106,476 thousand) a net decrease EUR 22,543 thousand compared to 2022, which is mainly attributable to loan repayments performed during the year. The ECLs continued to remain high that were mainly attributed to the geopolitical conflict between Russian and Ukraine that begun on 24 February 2022, and the consequences thereof, which have negatively impacted the economies of Ukraine and Russia.

For the purpose of calculating Expected Credit Losses in accordance with IFRS 9, loans at amortized cost are classified in the below three stages:

- **Stage 1:** includes performing exposures that do not have significant increase in credit risk since initial recognition. This stage also includes exposures for which credit risk has been improved and the exposure has been reclassified from Stages 2 or 3. In this stage, expected credit losses are recognized based on the probability of default within the next twelve months.
- **Stage 2:** includes performing exposures for which there has been a significant increase in credit risk since initial recognition. Stage 2 also includes exposures for which credit risk has been improved and the exposure has been reclassified from Stage 3. In this stage, lifetime expected credit losses are recognized.
- **Stage 3:** includes non-performing and/or credit-impaired exposures. In this stage, lifetime expected credit losses are recognized.

Notes to the Financial Statements

Revolving Facilities and Undrawn Commitments

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

The estimate of the ECL on irrevocable loan commitments is consistent with its expectations of drawdowns on that loan commitment. Therefore, the Bank considered (i) the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses and (ii) the expected portion of the loan commitment that will be drawn down over the expected life of the reporting date when estimating lifetime expected credit losses. The Bank applies 50% credit conversion factor of loan commitments to be included in loan outstanding exposure for calculation of expected credit loss. At 31 December 2023 the related amount included in other liabilities is EUR 3,047 thousand for loan commitments of EUR 64,829 thousand (2022: EUR 1,154 thousand for loan commitments of EUR 73,360 thousand).

Individual Assessments

For the loans for which impairment is assessed on an individual basis as per IFRS 9, the assessment is based on certain assumptions involving optimistic and pessimistic scenarios per the methodology currently applied by the Bank. As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty; therefore, the actual outcomes may be significantly different from those projected. The Bank considers these forecasts to represent its best estimate of the future outcomes.

As the situation is changing, especially the status of loans in Ukraine and Russia are subject to regular review. The table below depicts per stage the outstanding balance along with the expected credit loss, which excludes that of undrawn commitments, for the year ended 31 December 2023 of Russian and Ukraine loans as follows:

Russia	Presented in EUR (000)		
	Stage 2	Stage 3	Total
Outstanding balance	116,442	45,564	162,006
Expected credit loss	700	16,836	17,536

Ukraine	Presented in EUR (000)		
	Stage 2	Stage 3	Total
Outstanding balance	85,175	101,380	186,555
Expected credit loss	18,987	43,756	62,743

Repayments from private sector of Russian Federation

As regards repayments of bona fide loans to private borrowers in the Russian Federation (RF), extended pursuant to the mandate of the international treaty establishing the Bank, which is ratified from all Member States and filed with the United Nations, all of which loans were extended and outstanding prior to February 2022, the Bank has proceeded receiving such either through general licenses under various pragmatically relevant sanctions regimes, or through a formal clarifying derogation by the relevant European Union Authority for all such, requested for transparency and comfort to counterparties, while preserving the supra-national status of the institution. Similarly, the Bank is unambiguously exempted from any and all moratoria and other restrictions in all its Member States pursuant to fundamental articles in its ratified Establishing Treaty, including capital controls. In the latter respect, the authorities of the RF, though exempting the Bank from such controls, continue to require the borrowers themselves to apply for specific licenses from the appropriate Ministry, and/or Central Bank. In some instances, delays in the above process resulted in credit worthy and willing and able borrowers depositing certain instalments due in a special type of account under RF legislation, known as "S" banking account, until the RF authorities clear their removal. Such monies, for the avoidance of doubt, belong to the Bank.

Notes to the Financial Statements

Stage Overrides Operations

Since the beginning of the geopolitical conflict the country credit risk ratings of both Ukraine and Russia have been downgraded in accordance with the Bank's credit risk methodologies, referenced all loans in Ukraine and Russia were automatically downgraded to Stage 3.

The Bank performed an individual assessment on all these loans and where it was determined that based on the repayments performed by these borrowers, their respective creditworthiness and ability to serve their obligations that the Stage 3 criteria were not met, the Bank reclassified these loans to stage 2. Total exposure of these loans amounted to EUR 201,617 thousand representing 12.7% of total outstanding loans at amortized cost as of 31 December 2023 and their respective ECL allowance was EUR 22,710 thousand, which includes that of undrawn commitments (31 December 2022: EUR 35,328 thousand).

The reason for the transfers to Stage 2 were:

- Continuing of operations.
- No deferrals/ significant change of original repayment plan/ prolongation of original maturity are foreseen.

13. DEBT INVESTMENT SECURITIES

Debt investment securities are analyzed as follows:

	At 31 December 2023	At 31 December 2022
Presented in EUR (000)		
Bonds	45,595	61,906
Commercial papers	50,380	463,830
Debt investment securities gross balance	95,975	525,736
Less: expected credit losses	(989)	(512)
Debt investment securities at fair value through OCI	94,986	525,224

The above table sets out an analysis of the Bank's debt investment securities at fair value through other comprehensive income. The movement in allowance for expected credit losses is as follows:

	Stage 1	Stage 2	Stage 3	Total
Presented in EUR (000)				
At 31 December 2021	499	129	-	628
Charge	-	-	468	468
Release	(455)	(129)	-	(584)
At 31 December 2022	44	-	468	512
Charge	-	-	489	489
Release	(12)	-	-	(12)
At 31 December 2023	32	-	957	989

Total expected credit losses on debt investment securities were EUR 989 thousand at year ended 31 December 2023 a net increase of EUR 477 thousand compared to 2022.

Notes to the Financial Statements

14. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the Bank's outstanding derivative financial instruments. The first column shows the sum of notional amounts, which is the amount of a derivative's nominal value, whereas the second and third columns depict the fair value of outstanding derivatives.

Presented in EUR (000)	At 31 December 2023		
	Notional amount of derivative contracts	Fair Value	
		Assets	Liabilities
Derivatives held for hedging:			
Derivatives designated and effective as hedging instruments carried at fair value hedges:			
Interest Rate Swaps	196,923	-	(43,180)
Cross Currency Swaps	202,778	2,261	(29,839)
Total Derivatives designated in fair value hedges:	399,701	2,261	(73,019)
Derivatives designated and effective as hedging instruments in cash flow hedges:			
Cross Currency Swaps	161,987	19,306	-
Total Derivatives designated in cash flow hedges:	161,987	19,306	-
Derivatives held for risk management purposes:			
Interest Rate Swaps	276,154	11,299	(34,462)
Cross Currency Swaps	437,231	145	(1,435)
Forwards	190,045	2,402	(82)
Cap/floor	160,000	-	-
Total Derivatives held for risk management purposes:	1,063,430	13,846	(35,979)
Total	1,625,118	35,413	(108,998)

Notes to the Financial Statements

Presented in EUR (000)	At 31 December 2022		
	Notional amount of derivative contracts	Fair Value	
		Assets	Liabilities
Derivatives held for hedging:			
Derivatives designated and effective as hedging instruments carried at fair value hedges:			
Interest Rate Swaps	199,692	-	(53,107)
Cross Currency Swaps	170,511	3,914	(29,865)
Total Derivatives designated in fair value hedges:	370,203	3,914	(82,972)
Derivatives designated and effective as hedging instruments in cash flow hedges:			
Cross Currency Swaps	152,331	3,901	-
Total Derivatives designated in cash flow hedges:	152,331	3,901	-
Derivatives held for risk management purposes:			
Interest Rate Swaps	305,361	18,262	(44,589)
Cross Currency Swaps	789,540	16,259	(21,063)
Cap/floor	160,000	2	-
Total Derivatives held for risk management purposes:	1,254,901	34,523	(65,652)
Total	1,777,435	42,338	(148,624)

The Bank enters into derivatives for risk management purposes and contains derivatives which are designated as hedging instruments in qualifying hedge relationships, more details of which are provided in Note 5. Derivatives which are not designated as hedging instruments in qualifying hedge relationships, are used to manage the Bank exposure to interest rate and foreign exchange risks.

The Bank's exposure to derivative contracts is monitored on regular basis as part of its overall risk management framework. For more information about how the Bank manages its market risks, see Note 5.

The above derivative financial instrument contracts with financial counterparties have been documented under International Swaps and Derivative Association (ISDA) Master Agreements with Credit Support Annexes (CSAs). Pursuant to such arrangements the Bank is eligible to offset assets and liabilities in the event of a counterparty default occurrence.

The Bank's derivative assets and financial liabilities are generally not offset in the statement of financial position unless the IFRS netting criteria are met.

Notes to the Financial Statements

15. LOANS

The Bank offers a range of loan facilities directed to investments for both project and trade financing and tailored to meet an individual operation's requirements. Loans may be denominated in any convertible currency, or a combination of convertible currencies in which the Bank is able to fund itself.

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Loans at amortized cost:		
At 1 January	2,040,986	2,329,424
Disbursements	220,202	246,115
Less: repayments	(540,795)	(594,078)
Sale of loans	(116,441)	-
Transfer to FVTPL	(21,271)	-
Write-offs	-	(4,469)
Foreign exchange and other movements	(17,587)	63,994
Outstanding balance	1,565,094	2,040,986
Plus: accrued/deferred income	27,718	26,458
Less: expected credit losses	(83,933)	(106,476)
Loans at fair value through profit or loss:		
Outstanding balance	31,271	19,705
Fair value adjustment	(20,444)	(4,355)
Loans (net carrying amount)	1,519,706	1,976,318

At 31 December 2023 the outstanding balance of loans at amortized cost was EUR 1,565,094 thousand (2022: EUR 2,040,986 thousand). For the year ended 31 December 2023 the amount of accrued interest receivable pertaining to loans was EUR 30,003 thousand (2022: 36,612 thousand).

The carrying amount of loans with respect to their related stages and expected credit losses is analyzed below:

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Stage 1	979,755	1,689,735
New loans originated	92,941	61,441
Transfer/repayment	(121,529)	(771,422)
Plus: accrued/deferred income	27,718	26,458
Less: expected credit losses	(1,891)	(1,202)
Carrying amount	976,994	1,005,010
Stage 2	868,963	240,251
Transfer/repayment	(406,596)	628,712
Less: expected credit losses	(19,934)	(36,514)
Carrying amount	442,433	832,449
Stage 3	170,997	49,560
Transfer/repayment	(19,437)	142,709
Less: expected credit losses	(62,108)	(68,760)
Carrying amount	89,452	123,509
Fair value through profit or loss	10,827	15,350
Net carrying amount	1,519,706	1,976,318

Interest is generally based on Euro and US dollar referenced rates plus a margin. Margins are dependent on the risk category of each loan and typically range from 1.5% to 8.0%. Further analysis of the loan portfolio and comparisons are presented in Notes a2, a3 and a4 of Risk Management section.

Notes to the Financial Statements

16. EQUITY INVESTMENTS

A primary focus of the Bank is to facilitate access to funding for those small and medium-size enterprises with the potential for positive economic developmental impact. With this objective in mind, the Bank, together with a number of other institutions has invested in the entities as detailed below.

Presented in EUR (000)	% of Investment	At 31 December 2023		At 31 December 2022	
		Cost	Fair Value	Cost	Fair value
SEAF Caucasus Growth Fund	21.39	2,829	2,675	4,741	3,984
Access Bank, Azerbaijan	0.05	802	143	833	86
Emerging Europe Accession Fund	10.15	1,110	3,999	1,164	5,107
Rusal	0.01	4	133	4	203
ADM Ceecat Recovery Fund	5.75	1,506	1,403	1,647	1,645
Teamnet International	8.33	5,599	-	5,599	-
Natfood	37.98	-	-	-	-
EOS Hellenic Renaissance Fund	2.01	2,031	2,312	1,242	1,415
Equity investments at fair value through other comprehensive income		13,881	10,665	15,230	12,440

The valuation of such investments, which are unlisted, has been estimated using the most recent management accounts or the latest audited accounts as of 31 December 2023, as Management considers that these provide the best available estimate of the investments' fair value. The techniques applied to perform these valuations include equity calculations based on EBITDA and market data.

As of 31 December 2023 the Bank has a committed amount of EUR 3,037 thousand towards further participation in the above entities. Further analysis of the equity investment portfolio is presented in the Note "Risk management".

As of 31 December 2023 the Bank had few equity investments where it holds slightly more than 20 per cent of the investee share capital, but does not exert significant influence, hence the investments are not accounted for as an investment in an associate under IAS 28.

17. OTHER ASSETS

Other assets are analyzed as follows:

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Advances and prepaid expenses	1,883	2,782
Accrued interest on derivatives	10,913	9,980
Other prepayments	185	185
Staff loans (see Note 11)	3,327	4,029
Guarantee deposits and non-current	90	78
Other assets	16,398	17,054

Notes to the Financial Statements

18. PROPERTY AND EQUIPMENT

Property and equipment is analyzed as follows:

Presented in EUR (000)	Buildings (leasehold)	Vehicle	Furniture and office accessories	Computers and office equipment	Total
Cost					
At 31 December 2021	907	150	650	2,073	3,780
Additions	4	-	2	103	109
Disposals	-	-	(60)	(352)	(412)
At 31 December 2022	911	150	592	1,824	3,477
Additions	2	137	6	75	220
Disposals	-	-	(20)	(77)	(97)
At 31 December 2023	913	287	578	1,822	3,600
Accumulated depreciation					
At 31 December 2021	887	126	585	1,814	3,412
Charges	10	9	43	150	212
Disposals	-	-	(60)	(352)	(412)
At 31 December 2022	897	135	568	1,612	3,212
Charges	10	15	6	122	153
Disposals	-	-	(20)	(77)	(97)
At 31 December 2023	907	150	554	1,657	3,268
Net book value					
At 31 December 2023	6	137	24	165	332
At 31 December 2022	14	15	24	212	265
At 31 December 2021	20	24	65	259	368

Notes to the Financial Statements

19. INTANGIBLE ASSETS

Intangible assets comprising computer software is analyzed as follows:

Presented in EUR (000)	Total
Cost	
At 31 December 2021	4,904
Additions	504
At 31 December 2022	5,408
Additions	294
At 31 December 2023	5,702
Accumulated amortization	
At 31 December 2021	4,704
Charges	151
At 31 December 2022	4,855
Additions	295
At 31 December 2023	5,150
Net book value	
At 31 December 2023	552
At 31 December 2022	553
At 31 December 2021	200

Notes to the Financial Statements

20. BORROWINGS

Borrowing facilities and bond issues debt evidenced by certificates, arranged as at the financial position date, are analyzed below. In addition to medium- or long-term borrowings and bond issuance, the Bank utilizes short-term financing in the form of ECP issuance or borrowings from commercial banks for cash management purposes.

A significant proportion of the Bank's debts evidenced by certificates are hedged in a one-to-one hedging relationship with a cross-currency swap. On these bond issuances, as the bond's cash flows are offset by equivalent cash flows on the swap, the Bank's funding costs are effectively incurred in the currency of the funding leg of the swap. Where the swap counterparty exercises a right to terminate the hedging swap prior to legal maturity, the Bank shall exercise the same right on that issued bond.

			At 31 December 2023		At 31 December 2022	
Presented in EUR (000)	Average maturity (years)	Approx. average cost (%)	Amount used	Amount arranged	Amount used	Amount arranged
Borrowed by						
Amounts borrowed	3.77	2.85	1,168,008	1,198,008	1,906,642	1,956,642
Accrued interest payable	-	-	6,476	-	9,013	-
Total	3.77	2.85	1,174,484	1,198,008	1,915,655	1,956,642
Denomination by						
Euro	7.19	2.62	317,627	347,627	360,840	410,840
United States dollar	1.75	3.33	448,861	448,861	842,330	842,330
Swiss franc	3.25	0.35	162,092	162,092	355,589	355,589
Romanian lei	2.42	5.45	67,263	67,263	67,616	67,616
Azerbaijan manat	-	-	-	-	5,521	5,521
Georgian lari	-	-	-	-	17,342	17,342
Pound sterling	5.62	2.03	57,380	57,380	56,195	56,195
Czech koruna	2.25	7.69	48,536	48,536	87,079	87,079
Hungarian forint	-	-	-	-	44,902	44,902
Japanese yen	2.42	0.65	31,946	31,946	35,487	35,487
Australian dollar	6.25	3.03	18,172	18,172	18,786	18,786
Polish zloty	2.75	2.12	16,131	16,131	14,955	14,955
Accrued interest payable	-	-	6,476	-	9,013	-
Total	3.77	2.85	1,174,484	1,198,008	1,915,655	1,956,642
Maturity by						
Short-term, within one year	0.55	5.12	435,392	435,392	365,361	365,361
Long-term, over one year	5.72	1.53	732,616	762,616	1,541,281	1,591,281
Accrued interest payable	-	-	6,476	-	9,013	-
Total	3.77	2.85	1,174,484	1,198,008	1,915,655	1,956,642

The approximation of average maturity was from the reporting date until the maturity date. The approximation of average cost on borrowings was determined using appropriate average base interest rates plus the applicable basis points margin. There is no collateral against the above borrowed funds.

During the year the Bank redeemed a part of issued bonds prior to maturity of approximately USD 137,500 thousand and EUR 115,000 thousand generating a net gain of EUR 14,963 thousand (2022: nil) that was recognized in the income statement.

Notes to the Financial Statements

21. OTHER LIABILITIES

Other liabilities are analyzed as follows:

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Social insurance fund (EFKA) contributions	-	2
Accrued interest on derivatives	17,366	17,269
Pension plan obligation	2,807	621
Suppliers and other accrued expenses	1,282	1,086
Other	3,047	1,154
Other liabilities	24,502	20,132

22. LEASE LIABILITY

The Bank has entered into a lease contract only for its Headquarters premises, which includes renewal options and periodic escalation clauses. There are no other commitments at end of year arising from non-cancellable lease contract. On adoption of IFRS 16 the impact in the statement of financial position of the recognition of right-of-use asset and corresponding lease liability, together with the movement for the year, is analyzed as follows:

Presented in EUR (000)	Total
Lease liability at 31 December 2021	43
Renewal of lease term	926
Lease payments recognized in administrative expenses	(692)
Lease liability at 31 December 2022	277
Renewal of lease term	531
Lease payments recognized in administrative expenses	(644)
Lease liability at 31 December 2023	164

IFRS 16 indicates that at the commencement date, the lessee (the Bank) will discount the lease payment using (a) the interest rate implicit in the lease or (b) the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be determined. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow the funds to obtain (i) an asset of a similar value to the underlying asset (ii) over a similar term (iii) with similar security (iv) in a similar economic environment. As the Bank has only one lease arrangement that is nearing maturity, Management concluded that any adjustment or any subsequent interest does not have any material impact on the financial statements.

The Bank presents right-of-use assets separately as property and equipment, and the lease liability separately within payables and accrued interest, in the statement of financial position. Consequently, the Bank recognizes lease payments and interest, if any on the lease liability on a straight-line basis over the period of the lease term, similarly to any benefits received or that are receivable, in the income statement. When a lease is terminated before the lease period has expired, any payments required to be made to the lessor, by way of penalty, are recognized as an expense in the period the termination takes place.

Notes to the Financial Statements

23. SHARE CAPITAL

From the Bank's inception, and in accordance with Article 4 of the Establishing Agreement, the Bank denominated its authorized share capital in the Special Drawing Right (SDR) as defined by the International Monetary Fund (IMF). Resolution 131 of the BoG unanimously adopted the requisite amendments to paragraph 1 of Article 4 and Articles 23 and 24 of the Establishing Agreement, to expressly include among the exclusive powers of the BoG the change of the unit of account of the Bank, and the redenomination of all capital stock of the Bank. These amendments to the Establishing Agreement became effective on 21 June 2013 (the 'Effective Date'). In accordance with such Resolution 131 of the BoG as of the Effective Date the unit of account of the Bank became the EUR and the authorized capital stock of the Bank was redenominated into three billion four hundred and fifty million EUR (3,450,000,000), divided into three million (3,000,000) shares having a par value of one thousand and one hundred and fifty EUR (1,150) each, inclusive of all subscribed and unallocated shares. Accordingly, as of the Effective Date, all outstanding share capital commitments of participating members in respect of their subscribed shares were converted into EUR.

The authorized capital stock of the Bank may be increased at such time and under such terms as may seem advisable.

The Bank's capital stock is divided into paid-in shares (fully paid and payable in installments) and callable shares. Payment for the paid-in shares subscribed to by members was made over a period of years in accordance with Article 6 of the Establishing Agreement for the initial capital raising purpose of the Bank, and as determined in advance by the Bank for capital increases (in the only capital increase of the Bank so far, the structure of payments specified was similar to the one in Article 6). The same Article states that payment of the amount subscribed to in respect of the callable shares is subject to call only as and when required by the Bank to meet its obligations.

Under Article 37 of the Establishing Agreement any member may withdraw from the Bank by transmitting a notice in writing to the Bank at its Headquarters. Withdrawal by a member shall become effective and its membership shall cease on the date specified in its notice, but in no event less than six months after such notice is received by the Bank. However, at any time before the withdrawal becomes finally effective, the member may notify the Bank in writing of the cancellation of its notice of intention to withdraw. Under Article 39 of the Establishing Agreement after the date on which a member ceases membership, it shall remain liable for its direct obligations to the Bank, and also remain responsible for its contingent liabilities to the Bank, incurred as of that date. No member has ever withdrawn its membership, nor has any ever indicated to the Bank it might do so. Were a member to withdraw from the Bank, at the time a member ceases membership, the Bank shall arrange for the repurchase of such a member's shares by the Bank as part of the settlement of accounts with such a member, and be able to impose conditions and set dates pursuant to the same Article 39 of the Establishing Agreement. Any amount due to the member for its shares shall be withheld so long as the member, including its central bank or any of its agencies, has outstanding obligations to the Bank, which may, at the option of the Bank, be applied to any such liability as it matures.

If losses are sustained by the Bank on any guarantees or loans which were outstanding on the date when a member ceased membership and the amount of such losses exceeds the amount of the reserves provided against losses on the date, the member concerned shall repay, upon demand, the amount by which the repurchase price of its shares would have been reduced if the losses had been taken into account when the repurchase price was determined.

Under Article 42 of the Establishing Agreement in the event of termination of the operations of the Bank, the liability of members for the unpaid portion of the subscribed capital of the Bank shall continue until all claims of creditors, including all contingent claims, have been discharged.

All participating members had fully subscribed to the initial authorized share capital in accordance with Article 5 of the Establishing Agreement. Subsequently, at the Sixth Annual Meeting of the Board of Governors held on 6 June 2004 three Member States, Armenia, Georgia and Moldova requested a 50% reduction of their portion of subscribed capital, from 2% to 1% of the initial authorized capital and the BoG approved their request. On 5 October 2008 the new shares pursuant to the capital increase of the Bank were offered in the same structure as the initial authorized share capital, in the amount of EUR 1.15 billion, and were fully subscribed by the Member States.

Notes to the Financial Statements

Furthermore, Azerbaijan also subscribed to the 3% of the initial authorized share capital that remained unallocated, after the above mentioned participation reduction, while Romania subscribed both to their allocation of new shares and to those that would have been allocated to Georgia had it chosen to participate in the capital increase. This subscription process followed a decision taken by the BoG in December 2007 to triple the Bank's authorized capital to EUR 3.45 billion and to double the subscribed capital to EUR 2.3 billion, while leaving authorized capital of EUR 1.15 billion unallocated. On October 2011 the BoG approved the request from Moldova for a 50% reduction of its portion of subscribed capital, from 1% to 0.5%, and those shares were released to unallocated share capital.

The above share capital is analyzed as follows:

	At 31 December 2023	At 31 December 2022
Presented in EUR (000)		
Authorized share capital	3,450,000	3,450,000
Less: unallocated share capital*	(1,161,500)	(1,161,500)
Subscribed share capital	2,288,500	2,288,500
Less: shares not yet called	(1,601,950)	(1,601,950)
Paid-up share capital	686,550	686,550
Advance against future call	-	-
Paid-in share capital	686,550	686,550

* Shares available to new or existing Member States.

Initial Capital

In accordance with paragraph 2 under Article 5 of the Establishing Agreement, the initially authorized capital stock was subscribed by and issued to each Member as follows: 10% (EUR 115 million) fully paid and 20% (EUR 230 million) payable by promissory notes or other obligations which were not negotiable and non-interest bearing in eight equal successive annual installments in the years 1998 to 2005.

Capital Increase

The capital increase of EUR 1.15 billion is divided into EUR 345 million paid in capital and EUR 805 million callable capital. Pursuant to the Board of Governors decision in October 2008, the EUR 345 million paid in portion is divided into 10% (EUR 115 million) fully paid shares in 2010 and 20% (EUR 230 million) payable shares by promissory notes or other obligation issued by members in eight equal successive annual installments in the years 2011 to 2018. As of October 2011, the capital increase was reduced by EUR 11.5 million of the subscribed share capital, due to an approved reduction by the BoG in participation by Moldova.

The initial and capital increase that was issued is analyzed as follows:

	At 31 December 2023		
	Initial capital	Capital increase	Total
Presented in EUR (000)			
Authorized share capital	1,150,000	2,300,000	3,450,000
Less: unallocated share capital	(34,500)	(1,127,000)	(1,161,500)
Subscribed share capital	1,115,500	1,173,000	2,288,500
Less: shares not yet called	(780,850)	(821,100)	(1,601,950)
Paid-up share capital	334,650	351,900	686,550
Advance against future call	40	(40)	-
Paid-in share capital	334,690	351,860	686,550

Notes to the Financial Statements

Statement of Subscriptions

A statement of capital subscriptions illustrating the number of shares and the amount subscribed by each member is shown below, including their respective callable, payable and the amount paid. The capital subscription status at the current financial position date is analyzed as follows:

		Subscribed	Callable	Payable	Paid
Member	Shares	Presented in EUR (000)			
Albania	40,000	46,000	32,200	-	13,800
Armenia	20,000	23,000	16,100	-	6,900
Azerbaijan	100,000	115,000	80,500	-	34,500
Bulgaria	270,000	310,500	217,350	-	93,150
Georgia	10,000	11,500	8,050	-	3,450
Greece	330,000	379,500	265,650	-	113,850
Moldova	10,000	11,500	8,050	-	3,450
Romania	280,000	322,000	225,400	-	96,600
Russian Fed.	330,000	379,500	265,650	-	113,850
Turkiye	330,000	379,500	265,650	-	113,850
Ukraine	270,000	310,500	217,350	-	93,150
Total	1,990,000	2,288,500	1,601,950	-	686,550

24. RESERVES

Reserves are analyzed as follows:

Presented in EUR (000)	General	Revaluation	Other	Total
At 31 December 2021	122,488	(18,217)	(3,959)	100,312
Gains (losses) on revaluation of investments	-	(24,077)	-	(24,077)
Actuarial (losses) gains on defined benefit scheme	-	-	8,178	8,178
Gains (losses) on cash flow hedging instruments	-	-	(3,621)	(3,621)
Transferred from retained earnings	-	-	-	-
At 31 December 2022	122,488	(42,294)	598	80,792
Gains (losses) on revaluation of investments	-	3,859	-	3,859
Actuarial (losses) gains on defined benefit scheme	-	-	(3,274)	(3,274)
Gains (losses) on cash flow hedging instruments	-	-	1,786	1,786
Transferred from retained earnings	-	-	-	-
At 31 December 2023	122,488	(38,435)	(890)	83,163

General Reserve

The Bank's general reserve is maintained for meeting any unforeseeable risks or contingencies that do not qualify as provisions for impairment and is normally built-up from those released impairment charges during the year. There was no amount transferred from retained earnings of 31 December 2023 (2022: EUR nil).

Revaluation Reserve

The revaluation reserve contains fair value movements recognized on the Bank's assets and liabilities that are recorded as other comprehensive income of EUR 3,859 thousand (2022: EUR -24,077 thousand).

Notes to the Financial Statements

Other Reserve

The other reserve contains:

- To the remeasurements of the Bank's defined benefit pension scheme of EUR -3,274 thousand (2022: EUR 8,178 thousand).
- The cash flow hedge reserve of EUR 1,786 thousand (2022: -3,621 thousand) and comprises the effective portion of the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is analyzed as follows:

	At 31 December 2023	At 31 December 2022
Presented in EUR (000)		
Cash on hand	2	7
Due from banks	375,388	208,331
Investments maturing up to 1 month:		
At fair value through other comprehensive income portfolio	50,000	55,000
Investment maturing from 1 month to 3 months:		
At fair value through other comprehensive income portfolio	-	416,409
Cash and cash equivalents	425,390	679,747

The commercial papers held in the Bank's portfolio were short-term rated at a minimum of A2 by Standard and Poor's or P2 by Moody's rating agencies, in accordance with the Bank's internal financial policies.

Notes to the Financial Statements

26. EMPLOYEE BENEFITS

Under the Defined Benefit Scheme

If separated or after the normal retirement age (60 years old), a staff member will be entitled to a full immediate pension equal to 1% of his annual pensionable salary (i.e., average of the two best out of the last five years) multiplied by his/her years of service at the Bank. If separated at or after the early retirement age (55 years old), a staff member will be entitled to a reduced immediate pension, or deferred pension payable from any month until the staff member's normal retirement age. If separated before the early retirement age, a staff member will be entitled to a deferred pension payable from any month between the staff member's early and normal retirement age. Upon separation at any age, a staff member will have a choice between the appropriate type of pension and a lump sum termination benefit.

A qualified actuary performs an actuarial valuation of this scheme at each end of year using the projected unit method, which is rolled forward to the following year accounts. The most recent valuation date was 31 December 2023. The present value of the defined benefit obligation and current service cost was calculated using the projected unit credit method.

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Amounts recognized in the statement of financial position		
Present value of the defined benefit obligations	30,967	24,705
Fair value of plan assets	(28,160)	(24,084)
Net liability at end of the year	2,807	621
Amounts recognized in the income statement		
Service cost	1,361	2,182
Net interest on the net defined benefit liability/(asset)	(16)	96
Administration expense	50	50
Total included in personnel expenses	1,395	2,328
Remeasurements recognized in other comprehensive income		
At 31 December	1,126	(7,053)
Liability gain (loss) due to changes in assumptions	(1,450)	13,609
Liability experiences gain (loss) arising during the year	(3,002)	(1,631)
Return on plan assets excluding income statement amounts	1,178	(3,799)
Total amount recognized in OCI during the year	(3,274)	8,179
Cumulative in other comprehensive income (expense)	(2,148)	1,126
Principal actuarial assumptions used		
Discount rate	3.24%	3.60%
Expected return on plan assets	3.24%	3.60%
Future salary increase	1.00%	1.00%
Future pension increase	2.20%	2.45%
Average remaining working life of employees	9 years	9 years

The discount rate arises from the yield curves that use data from double A-rated iBoxx bond indices produced by the International Index Company.

The expected return on assets as per provision of the revised IAS 19, has been set equal to the discount rate assumption, i.e. at 3.24% pa.

Notes to the Financial Statements

The following table presents the major categories and reconciliation of the plan assets (the Fund).

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Major categories of plan assets		
Cash instruments	6%	11%
Fixed interest	54%	47%
Equities	36%	37%
Other	4%	5%
Reconciliation of plan assets		
Market value at 1 January	24,084	27,691
Expected return	899	346
Contributions paid	2,483	2,212
Benefit pension and lump sum paid to pensioners	(434)	(2,316)
Expenses	(50)	(50)
Asset gain (loss)	1,178	(3,799)
Fair value of plan assets	28,160	24,084

The actual investment return on assets of the Fund for the year was 8.8%. The expected return on plan assets has been based on asset structure allowed by the Fund as well as the yield of high quality corporate bonds. The Bank estimate of contributions to be paid in 2024 will not materially differ from those paid in the current year.

The funding status at year end and at the end of the last four years was as follows:

Presented in EUR (000)	2023	2022	2021	2020	2019
Defined benefit obligations	30,967	24,705	36,375	34,427	30,736
Plan assets	(28,160)	(24,084)	(27,691)	(24,198)	(23,200)
Plan deficit (surplus)	2,807	621	8,684	10,229	7,536
Net experience adjustments on plan liabilities (assets)	3,002	1,631	225	(319)	296

Sensitivity analysis

Reasonable possible changes at the financial position date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Presented in EUR (000)	At 31 December 2023		At 31 December 2022	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(2,809)	2,809	(2,755)	2,755
Future salary growth (1% movement)	2,788	(2,788)	1,932	(1,932)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown under the Defined Benefit Scheme.

Notes to the Financial Statements

Under the Defined Contribution Scheme

Upon separation, a staff member will be entitled to receive in cash the full balance standing to the credit of his/her individual account for the second and third pillars. The pension expense under this scheme was EUR 1,300 thousand (2022: EUR 1,192 thousand) and is included in 'Personnel expenses'.

Under the Greek State Social Insurance Fund

The pension expense of staff that is alternatively entitled to retirement benefits from this fund was EUR nil thousand (2022: EUR 3 thousand) and is included in 'Personnel expense'.

27. RELATED PARTIES

The Bank has the following related parties.

Key Management Personnel

Key management personnel comprise: the President, Vice Presidents and Secretary General. They are entitled to a staff compensation package that includes a salary, medical insurance cover, participation in the Bank's retirement schemes and are eligible to receive other short-term benefits which can include a bonus. Key management personnel may receive post-employment benefits, other long-term benefits and termination benefits, but do not receive any share-based payments.

The amounts paid to key management personnel during the year were EUR 1,764 thousand (2022: EUR 1,703 thousand), of which comprises salary and employee benefits of EUR 1,563 thousand (2022: EUR 1,496 thousand) and post-employment benefits of EUR 201 thousand (2022: EUR 207 thousand).

The members of the BoD are not personnel of the Bank and do not receive any fixed term salaries nor any staff benefits. The governments of the Member States are not related parties.

Special funds

Special funds are established in accordance with Article 16 of the Establishing Agreement and are administered under the terms of rules and regulations adopted by the Bank. Special Funds are audited on an annual basis and their assets and fund balances are not included in the Bank's statement of financial position. During the year the Bank administered one special fund. Extracts from the audited financial statements are included under the Note 'Summary of special funds'.

Notes to the Financial Statements

28. ASSET HELD FOR SALE

The Bank classified a loan as held-for-sale amount of EUR 2,962 thousand (2022: nil) is measured at fair value which is equivalent to its lower carrying amount and fair value less costs to sell, as this loan no longer meets the Bank's development objective. The Bank used the below criteria under IFRS 5 for held-for-sale classification.

1. The asset is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets; and
2. The sale is highly probable:
 - a. The appropriate level of Management is committed to a plan to sell;
 - b. An active program to locate a buyer and complete the plan to sell has been initiated;
 - c. The asset is being marketed for sale at a price that is reasonable in relation to its current fair value; and
 - d. Actions required to complete the plan indicate that it's unlikely that significant changes will be made or the plan will be withdrawn.

29. EVENTS AFTER THE REPORTING PERIOD

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2023.

Events after the reporting period, that are indicative of conditions that arose thereafter, do not lead to adjustment of the financial statements but are disclosed in the event that they are material.

Notes to the Financial Statements

30. SUMMARY OF SPECIAL FUNDS

With the Hellenic Government

The Technical Cooperation Special Fund's objective is to contribute to the economic development of the Black Sea Region's Member Countries. The Fund extends technical assistance grants for preparation of high-quality project documentation including business plans, feasibility studies and financial reporting methods and standards. The movement in the Fund is shown below.

Presented in EUR (000)	At 31 December 2023	At 31 December 2022
Statement of movements		
Balance brought forward	8	8
Net income (loss) for the year	-	-
Less: disbursements	-	-
Balance of available funds	8	8
Financial position		
Placements with other financial institutions	8	8
Total Assets	8	8
Unallocated fund balance	8	8
Total Liabilities and Contributor Resources	8	8